

Integrate. Innovate. Create.



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Integrate

2019 marks the first full year of operations as Schaeffler India Limited (Schaeffler India) — a strong entity that resulted from the merger completed in 2018. The merger has enabled us to realise our multiple synergies, while providing further growth impetus to Schaeffler India. The merger marks an important landmark in our global 'One Schaeffler' journey. Together as 'One Schaeffler', we are better positioned to leverage our brand equity and optimise production, distribution and innovation value chains for greater performance and growth.

☰ p.28

Innovate

At Schaeffler India, our drive to cater to the industry demands in a more efficient and holistic manner gets a phenomenal boost from Schaeffler Group. It is globally renowned for its legacy of innovation and its best-in-class Research and Development (R&D) capabilities are finding a firm footing in India. Through continuous investments, we are strengthening our R&D capabilities and competencies in India to serve our local customers across business segments. Simultaneously, we are building on the expertise and customer-centric know-how of the merged entities, to further our innovation ecosystem. With this, we are ready to strengthen our capability to serve our customers with future-ready products, while providing the industry with new ideas and offerings.

☰ p.34

Create

We are here to create value. Through our innovation-led engineering excellence, precision and high-quality products, we make it possible for others to create a world they envision. Supported by our key stakeholders, partners in the industry and customers, we enable industries to create and deliver sustainable solutions, while contributing positively towards our society. Through our business practices, we strive to create value for all stakeholders in our collective journey towards a better tomorrow.

☰ p.26

Performance highlights: 2019

Revenue

₹ 43,606 million

EBITDA

₹ 6,461 million

Earnings after tax

₹ 3,676 million

CO₂ reduction

10%

CSR beneficiaries

12,094

About this report

Furthering our commitment to transparent stakeholder communications, we, at Schaeffler India, have started on the journey of Integrated Reporting <IR> with our Annual Report 2019. The Report is guided by the <IR> framework issued by the International Integrated Reporting Council (IIRC). To inform our stakeholders on all aspects of our business, we have introduced certain key elements of the <IR> framework in the Report. As we continue our journey, we will add more such elements to our upcoming reports over the years.

Some data related to <IR> might be management estimates. The other statutory reports, including the Directors' Report, Management Discussion and Analysis, Corporate Governance Report and Business Responsibility Report are as per the Companies Act, 2013; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015; and the prescribed Secretarial Standards.

Reporting scope and boundary

The Annual Report for 2019 covers information on the Company's business segments in India, along with associated activities that enable short, medium and long-term value creation.

Responsibility of those charged with governance

The Company's senior management, under the supervision of the CEO, have reviewed the Report's content. Board members of the Company have provided the required governance oversight.

Find out more online at
schaeffler.co.in

 @SchaefflerGroup

 @SchaefflerIndia

 Schaeffler

A globally renowned legacy

Established in 1946, Schaeffler Group is a global automotive and industrial supplier. It manufactures high-precision components and systems for engine, transmission and chassis applications in the automotive segment. The Group also produces rolling and plain bearing solutions for a variety of industrial applications.

With operations in 170 locations worldwide, 70 production facilities in 22 countries, 20 R&D centres and a workforce of 87,700 employees, Schaeffler Group is counted among the world's largest family companies. Over the past seven decades, the Group has received over 26,000 patent registrations and is one of the most innovation-led organisations in the world. Quality, technology and innovation are the three pillars supporting the Group's rich legacy.

The Group owns majority stake in Schaeffler India. With effect from 2018, INA Bearings India Private Limited and LuK India Private Limited merged with Schaeffler India Limited (erstwhile FAG Bearings India Limited). The objective of the merger was to consolidate the Group's India businesses and optimise the potential of the merged entity. Schaeffler AG, the Group's flagship company, is a publicly listed stock corporation incorporated under the German law, with its registered office in Herzogenaurach.

Schaeffler Group Highlights of 2019

Revenue^{**}

€ 14.4 billion

Invention disclosures^{**}

3,298

Employees^{***}

87,700

It is Germany's second most innovative company[#]

[#]According to the DPMA (German Patent and Trademark Office) in the year 2018

^{**} For the full year 2019

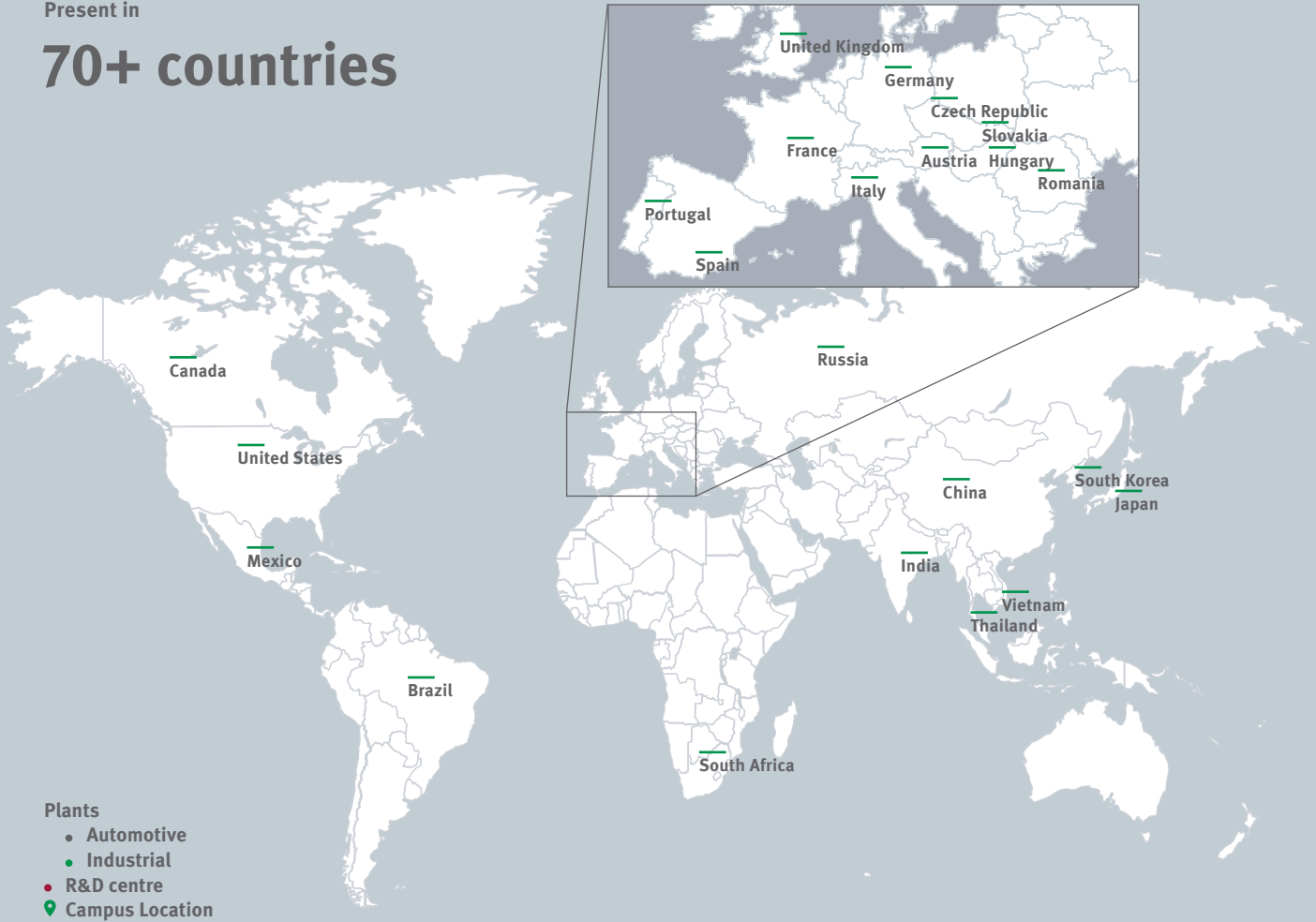
^{***} As on December 31, 2019



Schaeffler Group's plants and R&D centres

Present in

70+ countries



- Plants**
- Automotive
 - Industrial
 - R&D centre
 - 📍 Campus Location

Canada Stratford ●📍	Russia Ulyanovsk ●	Thailand Chonburi ●	Germany Bühl (2) ●●📍 Erlangen ● Gunzenhausen ● Herzogenaurach ●● Hirschaid ● Höchststadt ●●📍 Homburg (3)* ●●●📍 Ingolstadt ● Kaltennordheim (2) ● Lahr ●●📍 Luckenwalde ● Morbach ● Nuremberg ● Schweinfurt (2) ●● Eltmann ●📍 Steinhagen ● Suhl ● Unna (2) ● Wuppertal ●	United Kingdom Sheffield ●	Slovakia Kysucké Nové Mesto ●●●📍 Skalica ●●📍
United States Cheraw (2) ●📍 Danbury ● Fort Mill ●● Joplin ● Spartanburg ● Troy ● Wooster ●●	South Africa Port Elizabeth ●	Vietnam Biên Hòa City ●	France Calais ● Chevilly ● Haguenau ●●●📍	Portugal Caldas da Rainha ●	Hungary Debrecen ● Szombathely ●●
Mexico Puebla ●● Irapuato ●	India Hosur ●● Pune ●● Vadodara ● Savli ●	Japan Yokohama ●	Portugal Caldas da Rainha ●	Czech Republic Lanškroun ● Svitavy ●	Romania Braşov (3)* ●●●📍
Brazil Sorocaba (2) ●●📍	China Anting ● Nanjing ●●📍 Suzhou ● Taicang (4) ●📍 Xiangtan ● Yinchuan ●●📍	South Korea Ansan ● Changwon ●● Jeonju ●	Spain Elgoibar ●	Austria Berndorf-St. Veit ●	Italy Momo ●

Number of plants in brackets

1) Regions reflect the regional structure of the Schaeffler Group.

2) The Kaltennordheim and Unna plants were sold on December 6, 2019, and the business was transferred on February 3, 2020.

Braşov *) 2 plants Industrial, 1 plant Automotive

Homburg *) 2 plants Automotive, 1 plant Industrial

Integrated for a better future

Schaeffler India encompasses the Indian operations of Schaeffler Group. The post-merger combined entity offers a vast and diversified mix of products to its automotive and industrial customers.

Schaeffler India manufactures these products across its four state-of-the-art facilities in India. The Company also has two dedicated R&D facilities in India that roll out innovative products for the Indian market. Through its thriving after-market network, the Company serves its customers across both the automotive and industrial segments. Schaeffler India employs 2,846 people across its sites and offices.

Schaeffler India

Quick facts

Production facilities

4

R&D centres

2

Sales offices

8

Retail network

29,000+

Distribution channel partners

320+



Schaeffler India
Our footprint



Our Board of Directors

Led by a responsible Board



Mr. Avinash Gandhi
Chairman
Independent Director

AC NRC



Mr. Klaus Rosenfeld
Non-executive
Non-independent
Director



Mrs. Renu Challu
Independent Director

AC NRC SRC



Mr. Arvind Balaji¹
Independent Director

AC CSR



Mr. Amit Kalyani²
Independent Director

AC NRC CSR



Mr. Jürgen Ziegler
Non-executive
Non-independent Director

AC



Mr. Dharmesh Arora³
Non-executive
Non-independent Director

NRC RMC



Mr. Harsha Kadam³
Managing Director &
CEO

SRC CSR RMC



Mr. Satish Patel
Director – Finance & CFO

AC SRC RMC



Mr. R. Sampath Kumar⁴
Non-executive
Non-independent Director

AC

Audit Committee

SRC

Stakeholders' Relationship
Committee

RMC

Risk Management
Committee

NRC

Nomination and Remuneration
Committee

CSR

Corporate Social Responsibility
Committee

Chairman/Chairperson

Member

¹ Effective November 2019

² Effective February 2020

³ Effective October 2019

⁴ Ceased to be a Director effective May 30, 2020

Our executive leadership team

Driven by a strong leadership



Mr. Sanjeev Saxena
President
(Automotive)

Mr. Alok Dave
Vice President
(Purchasing)

Mr. Sameer Mathur
Chief Operating Officer

Mr. Santanu Ghoshal
Vice President
(Human Resources)

RMC

RMC

Mr. Debasish Satpathy
Vice President
(Automotive Aftermarket)

Mr. Harsha Kadam
Managing Director & CEO,
President
(Industrial Business)

Mr. Satish Patel
Director – Finance & CFO

Mr. Biswajyoti Mandal
Vice President
(Technology)

Creating all-round value

Automotive OEM

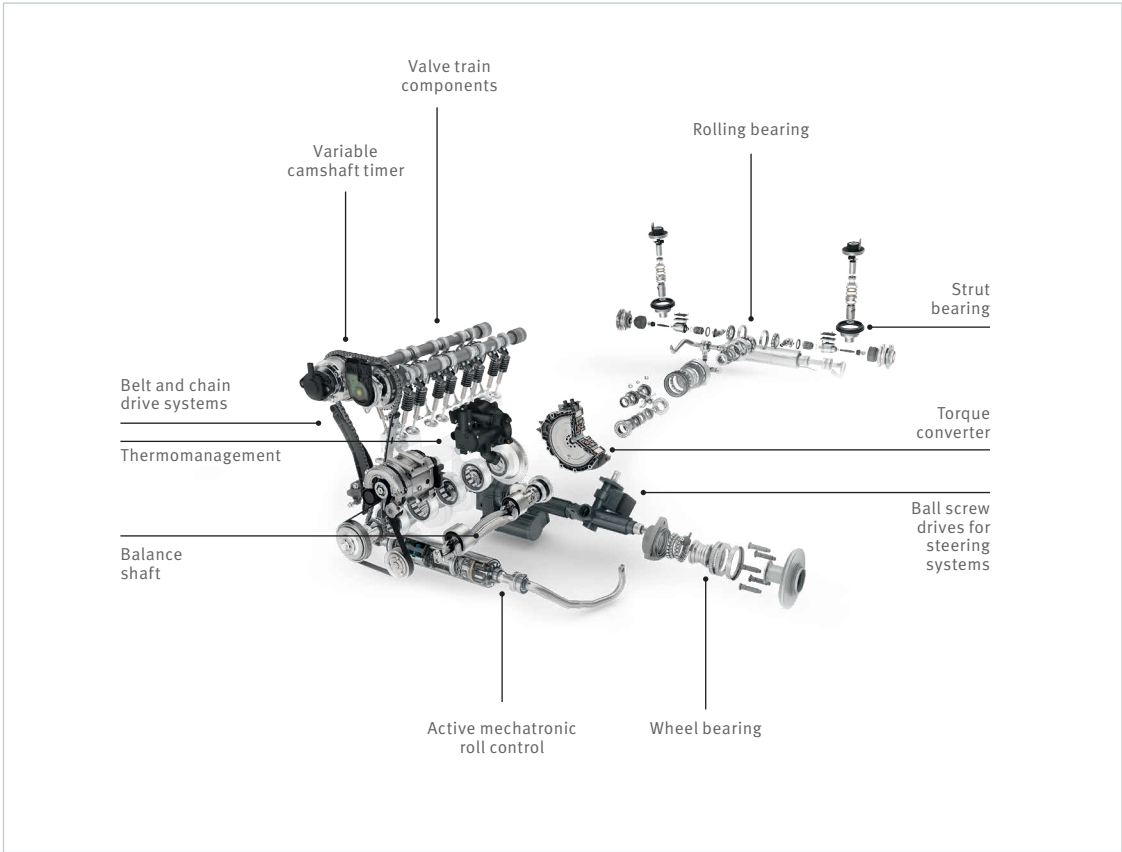
Products

- Chassis components and systems
- Clutches and transmission systems
- Engine components and precision products
- Drives for hybrid and Electric Vehicles (EVs)

Segments catered to

-  Commercial vehicles
-  Passenger vehicles
-  Tractors

Applications



Our expertise and experience

Technologies designed to make vehicles cleaner and more fuel efficient

Our product offerings include chassis components and systems, technologies for clutches and transmissions, as well as engine components and drives for hybrid and EVs. Schaeffler precision products are key to reducing fuel consumption and emissions.

Our three businesses — Automotive Original Equipment Manufacturers (OEM), Industrial and Automotive Aftermarket — are interconnected and interdependent, with common customers across all three segments. Our Automotive Aftermarket business is more services driven and helps us expand our reach and connect with mechanics and other influencer groups. This in turn, provides growth impetus to the Automotive OEM business and strengthens Schaeffler's brand resonance. Our Industrial business provides solutions for some of our automotive

OEM customers at their plant level. Thus, the three businesses complement one another.

Since all these businesses provide solutions for mobility-related applications, we have categorised them under 'Mobility components and related solutions' while reporting segment-wise performance. The 'Others' segment includes non-mobility related businesses, namely raw materials, industrial automation and wind.

Industrial	Automotive Aftermarket
------------	------------------------

- Rolling and plain bearings
- Linear guidance system
- Maintenance products
- Maintenance services
- Mechatronics
- Digital services

- | | |
|---|--|
| <p>Replacement parts for</p> <ul style="list-style-type: none"> • Transmission • Engine components • Chassis components | <p>Intelligent solutions for</p> <ul style="list-style-type: none"> • Repair and service points via platforms such as REPERT |
|---|--|

- | | |
|---|---|
| <ul style="list-style-type: none"> Railways Wind energy Industrial automation (machine tools, textile) Two-wheelers | <ul style="list-style-type: none"> Off-highway Raw materials Power transmission Industrial distribution |
|---|---|

- | | |
|---|---|
| <ul style="list-style-type: none"> Repair garages Fleet workshops | <ul style="list-style-type: none"> Multi-brand garages Retail markets |
|---|---|

Linear technology
Ball and roller bearing and guideway assemblies, hydrostatic linear guidance systems, and complete systems

Direct drives
Rotary and linear direct drives, including electronic sub-assemblies

Maintenance
Products and services for mounting, maintenance and condition monitoring

Mechatronics
Bearings with integrated additional functions, e.g. using sensors or generators

Passenger cars
Outstanding competence in systems and services.

Heavy commercial vehicles
Repair solutions for extended service life.

Light commercial vehicles
Intelligent solutions for light commercial vehicles.

Tractors
Dependable solutions for tractors.

Precise. Reliable. Connected.

The Industrial division offers a wide portfolio of bearing solutions, ranging from high-speed and high-precision bearings with small diameters to large-size bearings that are several meters wide. Increasingly, the focus here is on smart products and on connecting components.

Advanced best-in-class service

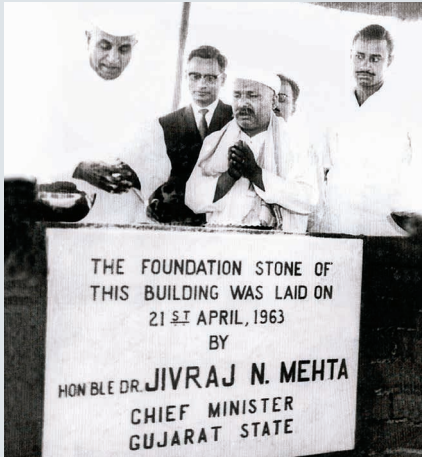
This division delivers innovative repair solutions in original-equipment quality. We offer comprehensive services to garages by conducting practical-oriented training seminars to increase the competency of the repair network.

Our journey

Progressing steadily

1962

**Incorporated the Company
under the name Precision
Bearings India Limited**



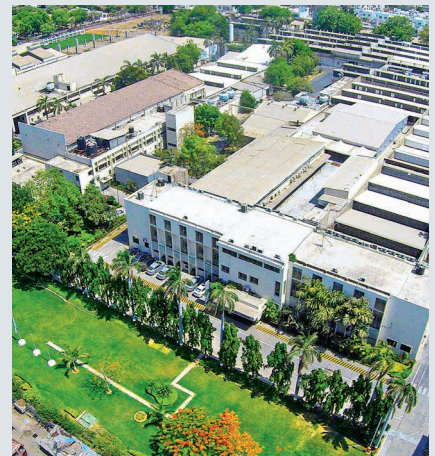
1969

**FAG Germany acquired shares
from Norma-Hoffman Bearing Corporation**



1997

**LuK India established in Hosur
Set up export-oriented
unit for the FAG business
in Maneja, Vadodara**



2001

**FAG becomes a part of
Schaeffler**



2007

Inaugurated INA plant at Talegaon in Pune

2012

Inaugurated FAG plant at Savli in Vadodara



2018













Completed merger to establish one Schaeffler India entity

2019

India corporate HQ established in Pune



Our value creation paradigm

Capitals	Defining our capitals	Inputs
<p>Financial capital</p>  <p> p.30</p>	<p>Funds from providers of capital and free cash flow generated during the course of our business are key growth enablers for us.</p> <p>We have a strong, debt-free balance sheet and we focus on efficient capital allocation.</p> <p>As an outcome, we enjoy adequate return ratios and continued support from the investor community.</p>	<p>Fixed capital ₹ 10,608 million*</p> <p>Working capital ₹ 19,014 million*</p> <p>Equity capital ₹ 313 million*</p> <p>Reserves and surplus ₹ 29,309 million*</p>
<p>Manufactured capital</p>  <p> p.32</p>	<p>Our operations are conducted through a state-of-the-art infrastructure of manufacturing facilities and logistics centres.</p> <p>We manufacture best-in-class products in our facilities, which are equipped with modern infrastructure.</p> <p>We regularly upgrade the technology, and focus on improving the safety and reliability in all our facilities.</p>	<p>Plant, machinery and equipments (gross) ₹ 11,395 million*</p> <p>Production facilities 4*</p> <p>Capital expenditure ₹ 3,199 million[#]</p>
<p>Intellectual capital</p>  <p> p.34</p>	<p>Our parent's expertise and continued thrust on R&D provides us a significant competitive edge.</p> <p>We are embracing high-end digitalisation platforms and tools to drive operational efficiency.</p> <p>Our impressive suite of patents and high brand value are testimony to our strength.</p>	<p>R&D expenditure ₹ 582 million[#]</p> <p>R&D employees 136^{**}</p>
<p>Human capital</p>  <p> p.36</p>	<p>Our people are the driving force of our progress. We are committed to providing them with an enabling ecosystem that is safe, takes care of their well-being, promotes innovative thinking and equips them with the right development tools and trainings. Our policies and processes inspire them to realise their full potential, while giving them opportunities to evolve and grow.</p> <p>At Schaeffler, workforce diversity is fundamental to promote lateral and divergent thinking to foster innovation and flexibility.</p>	<p>Permanent employees 2,846*</p> <p>Training hours 9,500[#]</p> <p>Employee welfare benefits ₹ 220 million[#]</p>
<p>Social and relationship capital</p>  <p> p.38</p>	<p>We are committed to creating holistic value and drive inclusive growth across our communities.</p> <p>We are focused on developing long-term relationships that are based on trust and transparency.</p> <p>Customers, suppliers, partners and other stakeholders play a crucial role in our success and growth.</p>	<p>CSR spend ₹ 221 million**</p> <p>Supplier meetings 38[#]</p> <p>Advertising and sales costs ₹ 276 million**</p>
<p>Natural capital</p>  <p> p.40</p>	<p>At Schaeffler, taking 'responsibility for tomorrow' is an essential part of our strategy.</p> <p>We aim to achieve carbon neutrality at most of our production facilities by optimising the use of natural resources such as land and water, reducing energy emissions and consuming raw materials judiciously.</p> <p>We are also striving to conserve natural resources by manufacturing environment-friendly products.</p>	<p>Electricity consumption 7,29,10,957 kWh[#]</p> <p>Water consumption 1,78,843 m^{3#}</p> <p>Rainwater harvesting Initiative implemented across all plants</p> <p>Solar power consumption 70,746.25 kWh[#]</p>

Outputs

Outcomes

Our businesses



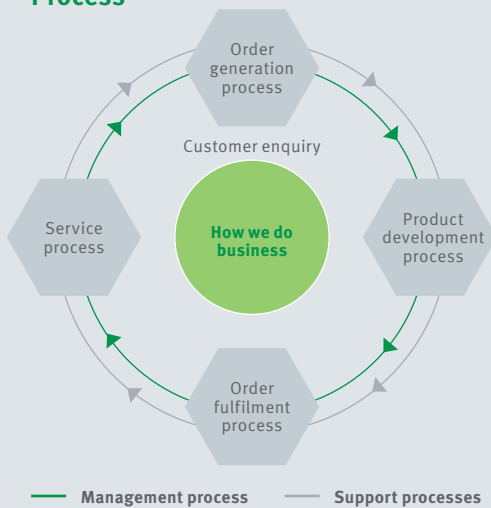
Automotive (OEM and Automotive Aftermarket)



Industrial

p.8

Process



External environment and opportunities

p.20

Our strategies

p.21



Total installed capacities
438 million pieces*



Segments we cater to
Automotive Engine, Chassis and Transmissions
Industrial 40+ segments



Automotive aftermarket reach
26,000+ garages and mechanics*

Revenue ₹ 43,606 million#
RoE 12.4%#

Free cashflow ₹ 2,435 million#

EPS ₹ 117.6#

Dividend payout ₹ 35# on face value of ₹ 10 per share

Productivity per attendance hour (5-year CAGR) 7%

Technical papers published 13#

Patent applications originating from India 19*

Both our R&D centres in India are approved by the Department of Scientific and Industrial Research (DSIR)

Employee retention rate 71.7% versus 67% in 2018 (after 60 months of joining)

Average tenure of employees in the company 11 years* (increased from 10.7 in 2018)

Proportion of women in the total workforce 2.6%# versus 1.8% in 2018

Fatal accidents 0#

Schaeffler managed Mobile Healthcare units Provided health consultations to 3,070,000+ patients* Covered 78 villages in and around Vadodara and Pune*

Suppliers with QMS Certification IATF: 304* ISO 14001: 133* ISO 9001: 74*

Outstanding shareholder complaints NIL#

Reduction in CO₂ emissions (Scope 1 and 2) 10%# over 2018

Reduction in electricity consumption 11%# over 2018

Reduction in water consumption 15%# over 2018

* As on December 31, 2019
** Over the last three years ending 2019
For the year ending December 31, 2019

Our investment case

How we drive growth and create value



Strong parentage

With a legacy of over seven decades of innovation, growth and value creation, our parent, Schaeffler AG, has invaluable expertise across all its business segments. Its global presence and relentless focus on creating high-quality, technology-driven products provide the company with a strong competitive advantage. Through its constant support, the parent company acts like a guiding star for us – ensuring that we stay on the right path of progress.

The Schaeffler edge

Among top 3
players globally across
most segments

Patent registrations till date
26,000+



Prominent market position

We are a leading industrial and automotive supplier in India, offering a wide portfolio of solutions under the product brands LuK, INA and FAG. Supported by an effective distribution network, customer servicing practices and brand resonance, we are able to respond to the changing needs of our business and our customers. With our unwavering focus on innovation, we are developing advanced products and technologies, and are ready for the future.

Among top 3
suppliers for most
leading OEMs in India



A culture of innovation

The passion to drive disruption with new, innovative products is ingrained in the Group's DNA. We bring some of these innovative products to India (for varied sectors including two wheelers, tractors, commercial vehicles and railways), customise them to fit the needs of our customers to infuse newer technologies that benefit the industry as a whole. At our recently launched R&D and incubator centres, we are developing local competencies for the Indian market.

Patent applications originating from India
2017-2019

93

Healthy financials

We have always maintained an unwavering focus on scale and profitability. We will continue our endeavour to remain debt-free, while achieving our targets on the back of strong cash flows. Our focus on optimising resources further enables us to achieve improved financial performance. As a result, we have enjoyed healthy financials and continue to deliver high return ratios on a consistent basis.

Net worth (₹ in million)	
2015	2019
12,873	29,622



Diversified product portfolio

We offer diversified, complementary products across all our business segments, which cater to a large and varied set of consumers. In addition, we are also focused a wide range of service suit and maintenance product that compliments our value offerings of reliability, efficiency and technology.

Wide range of products

Automotive

Engine, chassis and powertrain solutions, and a wide range of aftermarket repair solutions

Industrial

40,000+
for applications across varied industries



Potential to deliver strong growth

A diversified product portfolio, forward-looking innovation approach, structured processes and well-defined strategies make us ready to capitalise on all potential opportunities. Our continued emphasis on R&D and localisation projects, along with efforts to drive efficiencies across all aspects of operations, leave us in good stead to achieve continued growth and create long-term value for our stakeholders. Macro trends such as rising per capita consumption in India, strong demand from core sectors are some of the catalysts for our future.

Per capita consumption growth in India during 2019-2020

Rural	Urban
4.3x*	3.5x*

Source: World Economic Forum report, January 2019

*The numbers are estimates



Unified and strong

Dear stakeholders,

The year tested us in ways that justified the reasons for the merger in the first place. Consumer sentiment continued to spiral, weighing down growth across the economy. Demand slackened in global markets. Other events such as liquidity crunch and policy uncertainties contributed to volatility in the Indian economy. Most of the macro indicators such as GDP growth, Index of Industrial Production (IIP) growth, consumer price index and automobile sales turned unfavourable during the year.

The impact on the automotive segment has been significant, with a minor uptick witnessed in the last quarter. However, newer players in the automobile sector with focus on compact Special Utility Vehicles (SUVs) did reasonably better.



Your Company is well-governed by a Board that has the right balance of independent and non-independent directors.



At Schaeffler India, we responded to these headwinds by being well-prepared and cautious through our research, improving our core value proposition for customers. We relied on the inherent strength and de-risked nature of our business model. We took various steps to fortify the identity of the 'Schaeffler' brand in India.

2019 marked our first full year of operations since the merger as Schaeffler India, and it was a challenging, yet eventful one. We embarked on a new journey of redefining our strategies, rebuilding our synergies and reorganising ourselves as One Schaeffler.

While our revenues and profits registered degrowth compared to the year before, the last quarter allowed us to end the year on a high note.

We, the Board of Directors of Schaeffler India, remain committed to creating value for all of you and taking your Company to greater heights through our efficient process planning and strategy implementation.

During the year, we took significant steps to empower the communities that we operate in and played a proactive

role in driving sustainability across our operations. Our initiatives such as Nitara, access to healthcare and hygiene, and the STEP programme were a great success.

We are also integrating with the Group's Asia Pacific region, highlighting our increasing role in generating growth. With this in mind, we are continuing with our investments in India, especially by expanding our R&D capabilities.

Your Company is well-governed by a Board that has the right balance of independent and non-independent directors.

Going forward, we will continue to persevere and excel through decision-making that delivers on long-term value creation. Robust governance practices are key levers to our efforts to drive customer-centricity, and are a reflection of our affinity to the Group's ethos.

With an aim to provide shareholders a deep-dive into our business, production processes, R&D capabilities and ESG (Environment, Social and Governance) initiatives, we organised a maiden visit for them to our plant in Talegaon, Pune. I, along with the

members of the India executive leadership team, played hosts to over 150 shareholders. It was heartening to receive positive response and appreciation from all of them post the visit. We are truly overwhelmed by the enthusiasm, intrigue and warmth of our dear shareholders.

Together with our partners across the value chain, we are creating a strong ecosystem to realise our plans over the coming years. I would thus like to extend my heartfelt gratitude to investors and our parent company for their continued support and steady commitment.

Sincerely,

Avinash Gandhi

Leveraging opportunities and realising aspirations, together

Dear stakeholders,

A year of major organisational changes at Schaeffler India saw us integrating as one brand. While we work together to fulfil our vision and achieve our goals as One Schaeffler, the year also had us demonstrate our resilience and agility in the face of an unfavourable macroeconomic environment and a weak demand scenario.

However, it makes me happy to inform you that we could round the year off with several good tidings, winning crucial projects with prestigious customers. The overall outlook, especially in the automotive sector, continues to lean towards being challenging. However, we have already taken strategic decisions to continue delivering growth. We will prioritise driving technological excellence, enhancing operational efficiencies and flexing costs further, while focusing on customer-centricity by improving the quality and delivery of our products.

Environment of challenges

We continue to face a multitude of challenges that are contributing to weak demand. These include a sharp decline of average 12% in the automotive sector, a weakening of demand in the manufacturing sector, liquidity crunch at the heart of the NBFC sector and higher acquisition costs of vehicles, among others. The IIP growth too remained under pressure for most part of 2019. Essentially, consumer sentiment remains subdued and is unlikely to improve over the short term.

While the government continues to take measures to boost demand, the benefits are likely to accrue over the medium term. Some of the key measures taken include a cut in corporate tax rates, expediting of reforms in the banking and financial services sector and possible incentivising of scrappage scheme to dispose off older vehicles from the road, among others. However, the sustainability of the uptick witnessed in December is yet to be ascertained.

The industrial side witnessed growth, but not without challenges. Along with the slow consumer demand, the increased inflation continued to be a concern. Moreover, liquidity crunch at OEMs and end consumers continues to pressure demand. One silver lining is that the country experienced a healthy monsoon and as a result, we expect a boost in tractor sales.

Best foot forward

With low demand impacting our revenues as well as our working capital management and capacity utilisation rates, we focused on managing our costs and optimising our operations for greater efficiency. We registered an EBIT margin of 11.2% for 2019, as compared to 13.4% for 2018, despite revenues witnessing degrowth of 4.4% y-o-y.

As our business is well distributed between the automotive and industrial markets, it helps to balance the growth. Thus, while the auto segment revenues witnessed degrowth during the year, the industrial business (particularly railways and wind energy) registered solid growth and offset the demand pressures. By actively



While our business is well distributed between automotive and industrial, our focus on agility and innovation yielded the desired results.



ensuring efficient cost management, we have managed to protect our margins.

Customer centricity remains our priority, and we are improving our service offerings and increasing our reliability as well as relationships. We launched a mobile training van to equip mechanics with superior repair competency. We train them using video-based as well as live sessions. These units are helping to improve brand recognition and brand value across markets. During the year, we witnessed strong growth in the industrial aftermarket business on the back of enhanced reach in the rural markets, strengthened industrial distribution network and our continuous focus on launching new products in this space.

Ready to tap emerging opportunities

While we respond to the market scenario with resilience, we are also focusing on being agile. We are investing energetically into innovation and expansion. The planned capacity expansion at the Savli plant in Vadodara is progressing swiftly.

We are driven more than ever to deepen our relationships with our customers, understand their needs better, develop

innovative products that will help make their businesses more efficient, and deliver with greater reliability to their consumers. On the automotive front, we are taking charge of leadership in technology, ably supported by our parent company's capabilities in innovation.

In the automotive business, we are getting ready to cater to vehicles across categories – be it petrol, diesel or hybrids. Considering the magnitude of opportunity with India's thrust on EVs, we are working to bring in our parent company's expertise in providing high-value offerings to hybrid and EVs.

2019 was a year of consolidation for us wherein we reaped the benefits of multiple synergies from the merger – particularly cost rationalisation and cross-pollination of ideas yielding to better creativity across the organisation. As we continue to make strategic investments, we will be well placed to tap the opportunities arising from a pick-up in the macro economy.

It is a matter of great significance to us that we continue to make huge strides in achieving our goals in the ESG space. A part of it is this Report, which marks the first step in our journey towards Integrated Reporting <IR>. We are happy to provide our key stakeholders with a

comprehensive view of our business and value-creation journey through financial and non-financial parameters.

I would like to conclude with an expression of gratitude to our key stakeholders: our investors for their continued support; our Board and parent company for being a major source of inspiration; our customers and suppliers for their belief in us; and our bankers, business associates and our employees, without whom none of this would be possible.

Sincerely,

Harsha Kadam

Macro growth enablers



Proactive approach of the government

The Government of India is proactively implementing measures aimed at propelling the growth of the economy and key sectors. For instance, to boost the automotive industry, the government has introduced the vehicle scrappage policy, which is awaiting its final clearance from the Union Cabinet. Once implemented, it would pave way for recycling, introducing environment-friendly vehicles, and driving growth in the automobile and ancillary sectors. As the CAFÉ (Corporate Average Fuel Efficiency/Economy) norms become a reality, the proportion of diesel content per vehicle is likely to improve, providing a thrust to existing players catering to diesel vehicles.

Likewise, pick up in capex by private companies in the manufacturing sector, continued emphasis on the infrastructure sector in the Union Budget 2020 and implementation of measures to improve 'ease of doing business' in India will facilitate the growth of industrials in India.



Strong prospects for emerging mobility technologies

India has set a goal of complete migration to EVs by 2030. Under its (Faster Adoption and Manufacturing of (Hybrid & EVs in India (FAME India)) scheme, the government is providing incentives for the purchase of EVs and creation of necessary charging stations. Reduction in GST rate on EVs from 12% to 5% is also on the anvil. These, along with a slew of direct and indirect tax incentives, are likely to boost EV adoption in the country. Simultaneously, e-buses for inter- and intra-city operations are being sanctioned for 64 cities across India and the charging stations are also being approved. Clearly, EVs present a significant growth potential over the next few years.



Healthy outlook for steel and cement sectors in India

India is the second-largest steel producer in the world with an annual output of over 106 million tonnes. The National Steel Policy, 2017, aims to take the production capacity to 300 million tonnes by 2030-31. India's relatively low per capita steel consumption, increased construction activity and growing demand from railways augur well for the growth of the steel sector. Likewise, healthy prospects of the infrastructure and housing sectors will drive demand for cement.



Continued momentum in the railways and wind energy segments

Announcements of healthy investments in railways, setting up of two dedicated freight corridors of 3,300 km cumulatively and growing emphasis on building metro rail systems are some of the factors likely to drive strong demand from this sector in the next few years. There is growing potential for exports in the wind energy sector, and most Indian companies together are targeting wind energy capacity of 60 GW by 2022 (double the capacity in 2017).

Our strategic priorities

Growing the right way

Working closely with our parent, we define our five-year strategy and undertake annual strategy dialogues to realign them, if needed. We have progressed well on our strategy of One Schaeffler India with a broader focus on being a preferred supplier to our customers, and serving the diversified industrial and automotive markets better.

Our strategic priorities are key to driving our future growth.**Further strengthen our local manufacturing footprint**

We are investing to scale up our existing manufacturing facilities while also expanding our plants in Savli in Vadodara and Talegaon in Pune. We continue to invest in enhancing our engineering capabilities to fulfil existing and future domestic demand.

A strong footprint

Total capacity

2019: 438 million pieces

2015 : 81 million pieces

Increase localisation

We are striving to better the localisation of our resources, which will help us further rationalise costs. This will improve our ability to offer competitive pricing, ultimately driving up profitability.

Localisation ratio

2019: ~71%

2015: ~66%

Build local R&D capabilities

Schaeffler is a global company with focused local presence. Until recently, we were bringing the innovative products built by our parent in Germany to India, localising them and then going to market. Over the past two years, however, we have built two R&D centres (in Pune, Maharashtra, and Hosur, Tamil Nadu) to develop innovative products locally and become self-sufficient. Such an approach will help us drive customer-centricity with higher efficiency.

Investments in R&D in India over the past five years

₹ 1,918 million

Optimise our logistics network

We are integrating our four Central Distribution Centres (CDCs) in Mumbai, Vadodara, Gurugram and Hosur; with the two Distribution Centres in Kolkata and Chennai. We are optimising for greater efficiency, towards having a single location, single invoicing for all three brands. This state-of-the-art warehouse management system will streamline the delivery of materials to customers, rationalise expenditure, provide ease of documentation and planning, and control uncertainties faced during transit of goods.

Savings in freight costs in 2019

6.4%

Sustaining integrity and value

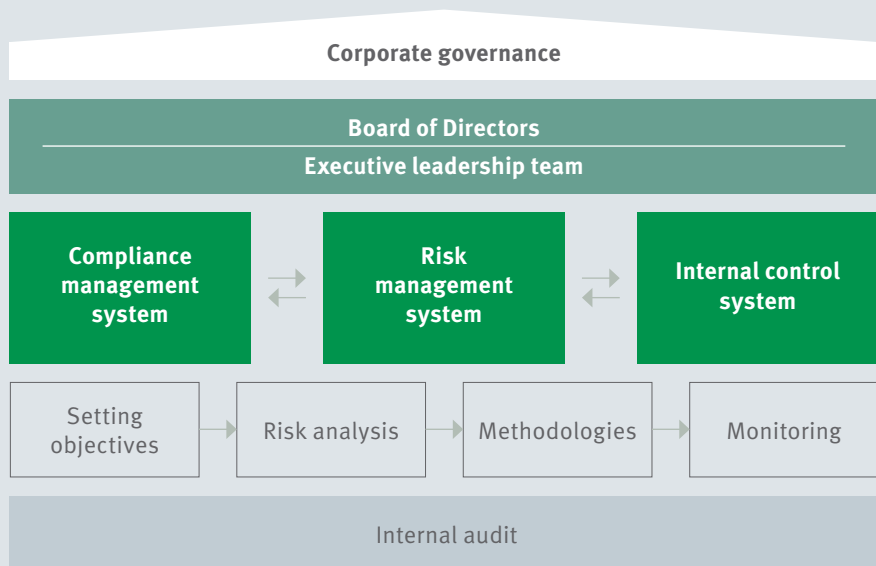
At Schaeffler India, we see our relentless focus on good governance practices as key to building long-term, sustainable and mutually beneficial relationships with all stakeholders. Our strong sense of responsibility has enabled us to foster trust in all our key relationships.

The basic philosophy of good corporate governance is to achieve business excellence and strengthen the confidence of all stakeholders.

Our corporate governance philosophy is based on the following core principles:

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

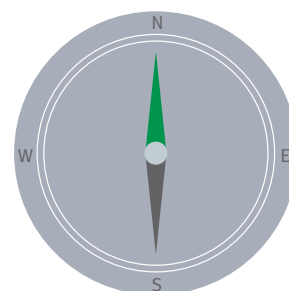
Our governance structure



We practise high standards of governance

Schaeffler India's Governance Grade*
Leadership

Only six companies of the S&P BSE 100 index are in the leadership category



* Note: Assessment as on December 20, 2019 by Institutional Investor Advisory Services (IIAS), a SEBI-registered proxy advisory firm

How we stand out?

Rights of investors

- Your Company has exceeded the regulatory requirements by publishing an investor handbook and a detailed FAQ to educate shareholders on their rights and responsibilities.
- Your Company's Code of Conduct extends not only to employees but also to its suppliers/vendors, enabling it to set behavioural expectations from its stakeholders.

Role of stakeholders

- Your Company is committed to the well-being of its people. It has a publicly disclosed policy against sexual harassment, and a health and safety policy for employees.
- Your Company has a transparent supplier/vendor selection and evaluation process and the policies are available on its website.
- Investor grievances are taken seriously at Schaeffler India and can be escalated to the Board through the Stakeholders Relationship Committee.

Disclosure and transparency

- The risk management framework is robust and all material risks and mitigation measures were outlined clearly.
- The information provided on Schaeffler India's website is comprehensive, updated and accurate.
- Your Company believes in transparency and provides timely disclosures to its stakeholders.

Responsibilities of the board

- Your Company's Board is focused on succession planning; your Company has a leadership development plan for Board members, senior executives and deserving employees.
- Your Company has been transparent about its Board evaluation process and has disclosed the conclusions of the evaluation exercise in the Annual Report.
- Your Company has disclosed a clear charter of roles and responsibilities for the internal audit function and the Audit Committee.

Driving our growth strategy across operations

Automotive OEM

We at Schaeffler India, we continued to win new platforms with existing customers and forayed into new segments to build a healthy pipeline for the future despite 2019 being a challenging year for the automotive industry. This is due to the value add that Schaeffler's technologically advanced products bring for our clients. We are one of the early movers in providing solutions for the BSVI migration that the Indian automotive industry witnessed in 2019. Our technically superior solutions received encouraging response from the OEMs across segments and product range.

Engine

We won new platforms with the top 2 OEMs in the country for their flagship models. In addition, we forayed into the commercial vehicle segments with wins with the largest commercial vehicle manufacturer in India. We also balanced our portfolio by increasing our coverage on gasoline engines.

Chassis

Our game-changing solution for the heavy commercial vehicles in the form of 1T bearings brought a distinct advantage in terms of total cost of ownership for the end customer; we won a large order from the top 2 commercial vehicle manufacturers in India.

Transmission

We are one of the early movers to provide all-round solutions that enable our customers to migrate to BSVI systems. We develop BSVI transmission products for India's largest car makers, to empower its future-ready products. We also ventured into the mass market by providing transmission solutions to leading truck manufacturers in India.

Automotive aftermarket

New offerings

Under the LuK brand, we launched a comprehensive, well-diversified portfolio of spare parts and repair solutions for tractor clutches. Our offerings include RepSet, Single and Double Clutches, Clutch Discs, Lever Kit and Torsion Dampers. We manufacture best-in-class clutches and customer list comprises all major global tractor makers.

Celebrating the first anniversary of the technical training centre

In July 2019, our technical training centre in Mumbai completed its first year of functioning. The centre trains mechanics in the domains of installation practices, latest technology and specialised technical tools, and develops their customer servicing skills. The centre provided training to 3,800 mechanics in 2019.

Schaeffler aftermarket specialists have so far imparted over 2,000 man-hours of training.





Launched a mobile training centre – The REPERT Truck

We launched The REPERT Truck, our mobile training centre, to cater to garages in tier-2 and tier-3 cities. Manned by a professionally trained service personnel, this state-of-the-art truck is equipped with all the engine, transmission and chassis products, spare parts and repair tools. It also serves as a platform to provide technical training in the areas of special fitment tools, standards fitment practices, failure diagnosis, product demo, tutorial videos and the Schaeffler product portfolio.

The REPERT Truck has covered over 50 cities across India in 2019.

Launched the Parts4U mobile app

We provide garages with the right repair solutions for tractors through a dedicated app – Parts4U. This platform simplifies the process of correct installation, ensures good system function and helps minimise the overall follow-up costs. The app has collected a large quantum of data, and processes it to identify the right parts for tractors quickly and precisely.



Industrial

Industrial OEM

The growth momentum continued to be healthy during the year owing to the relentless efforts of our team. Some of the prominent deals in this sector included two-year contracts to supply wheelset bearings and axle boxes for the Mumbai Metro, and the Montreal Metro and a three-year contract for maintenance of the rollup shop for the compact strip production mill of a prominent steel manufacturing company.

Industrial distribution

With more than 140 distributors and over 6,000 retail touch points, this business continues to grow rapidly. Our large footprint enables us to be in close proximity to our customers, allowing us to promptly cater to their needs.

Embracing reusable packaging

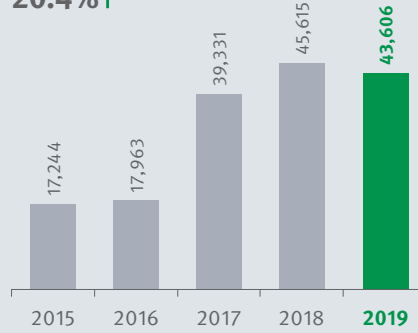
We introduced new reusable packaging for one of our largest industrial customers in the large-size bearings segment. Through this environment-friendly packaging, we provided higher annual cost savings to our customer.

Key performance indicators

Making steady progress

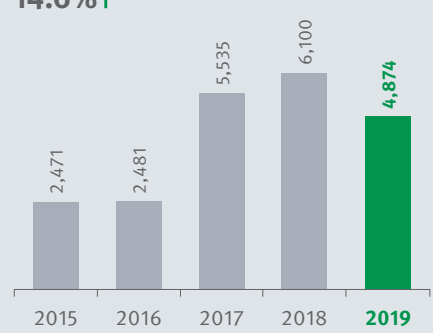
Revenues
(₹ in million)

20.4%↑



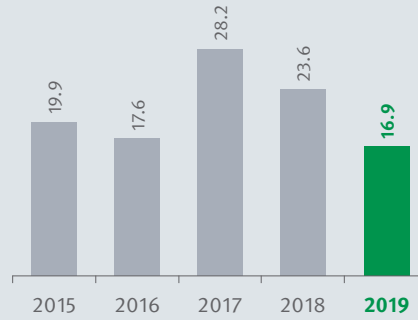
EBIT
(₹ in million)

14.6%↑



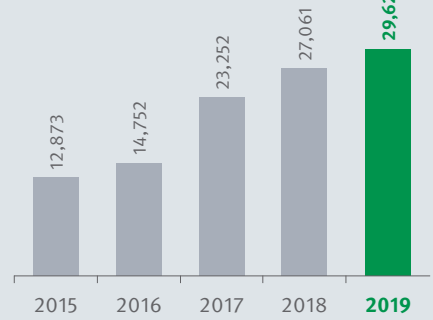
RoCE
(%)

16.9



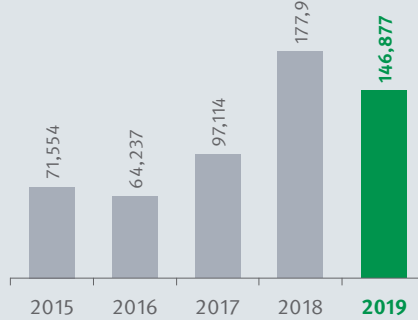
Net worth
(₹ in million)

18.1%↑



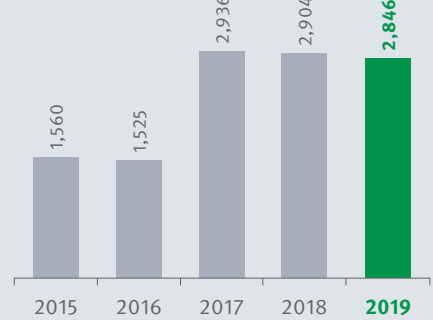
Market capitalisation
(₹ in million)

15.5%↑



Number of employees

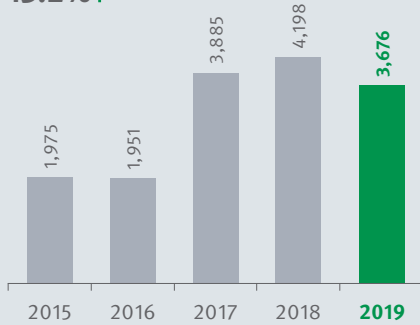
2,846



↑ 5-year CAGR

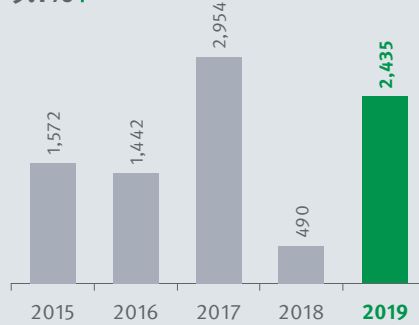
Earnings after tax
(₹ in million)

13.2%↑



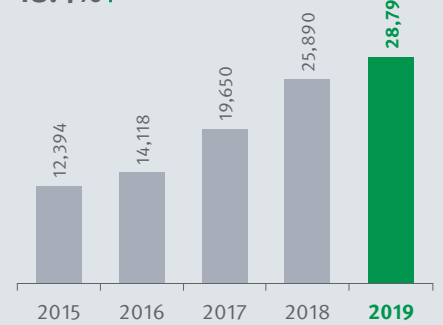
Free cash flows
(₹ in million)

9.1%↑



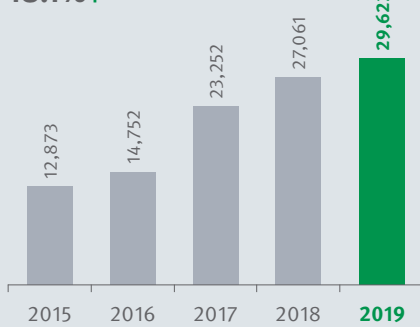
Capital employed*
(₹ in million)

18.4%↑

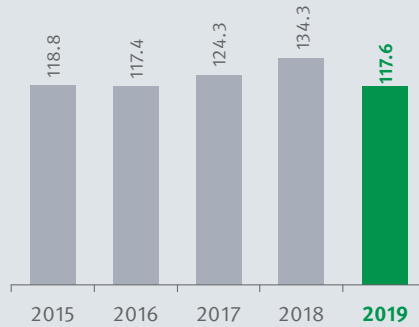


Shareholders' equity
(₹ in million)

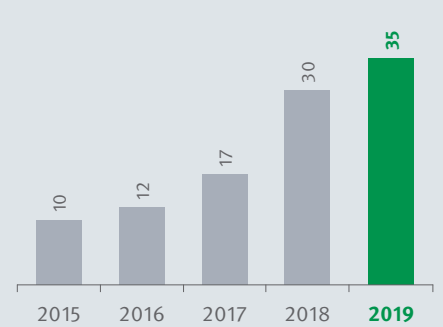
18.1%↑



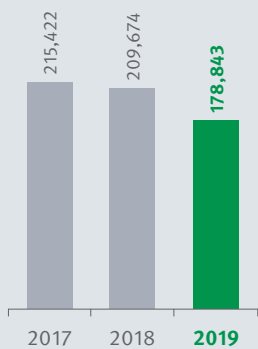
Earnings per share
(₹)



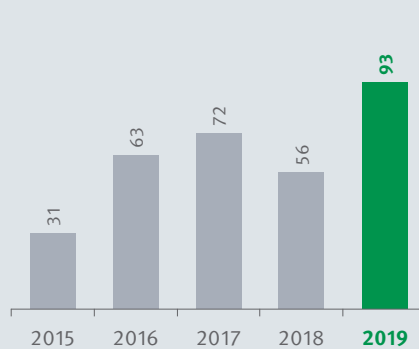
Dividend per share
(₹)



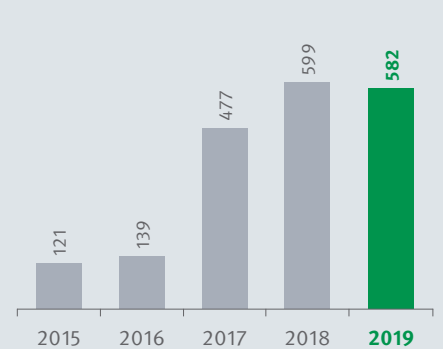
Water consumption
(in m³)



CSR spend
(₹ in million)



R&D spend
(₹ in million)



* Average capital employed



One Schaeffler

As an organisation integrating three brands and our synergies across levels, Schaeffler India is stronger, more resilient and much more capable today. Our products are complementary in nature and enable us to customise our bouquet of offerings, while allowing significant cost synergies to materialise through the consolidation of our physical infrastructure.

Driving operational efficiencies has been critical to our agenda this year. We have established a corporate office in Pune and have consolidated our sales offices in Chennai, Gurugram and Bengaluru. We have set up two warehouses at strategic locations to simplify our logistics process, which have helped us improve our delivery.

This year, we took significant steps to leverage the key synergy opportunities identified at the time of the merger. These included opportunities to:

- Bundle our offerings and enhance our share of wallet with the existing customers and add new customers
- Streamline our distribution network to enhance our reach
- Optimise warehousing and freight movement for leaner operations
- Drive efficiency improvements across all overhead functions

Overall, we have reduced the complexity of our operations, compliances and other procedures as we have now unified the strengths of three brands in a single legal entity. With a large part of the integration done, we are on track to realise synergies as per the planned timeline.

Doing more, creating greater value

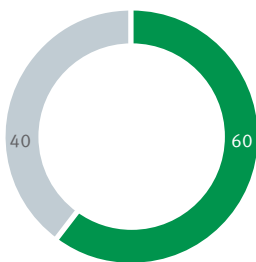
At Schaeffler India, we offer a wide gamut of products and services to our customers in the automotive and industrial businesses.

We manufacture best-in-class products such as applications for engines, chassis and transmission, and offer a multitude of repair solutions for the aftermarket.

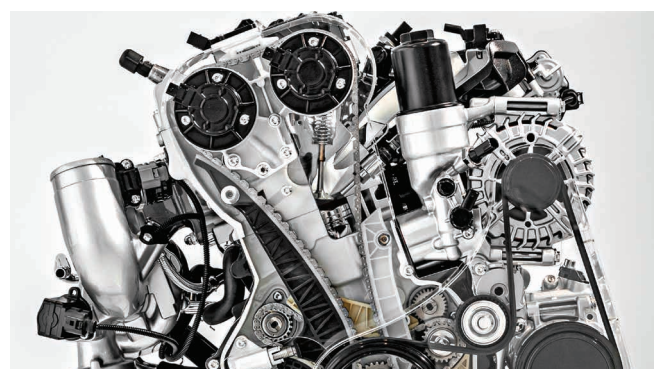
We are working to fortify brand Schaeffler in India, supported by our parent company which is recognised for its excellent quality and innovation.

We are more than just a bearings company and provide relevant, distinct and unmatched offerings to our customers across different industries.

Revenue mix (%) : 2019



- Bearings
- Engine and transmission solutions





Driving profitability

During the course of the challenging year, we remained focused on our profitability by ensuring fiscal prudence. We had identified the downward trends, especially in the automotive segment, since 2018 and begun flexing costs and infusing efficiency mechanisms across all levels. During 2019, we continued to reduce waste, maximise our outreach to our customers, and improve our offerings as a supporting measure to sound and effective management of costs, thus driving efficiencies in every aspect of the business.



We undertake judicious decision-making to grow our top line, while keeping an eye on profitability.



Case Study: Sharp focus on improvements


Objectives


- Drive all-round improvement in revenue by achieving higher sales volumes, improving sales mix towards high-margin offerings and optimising pricing
- Step up rationalisation through efficient and optimal production and by improving procurement, overhead and inventory carrying costs
- Ensure efficient allocation of financial resources by optimising working capital, being prudent and judicious for capital expenditure, driving better inventory management and focusing on minimising overdues

Initiatives implemented

- MOVE is Schaeffler India's continuous improvement programme that focuses on making production facilities more lean and agile. With active involvement of employees at all levels, this initiative helps in optimising plant operations.
- During the year, we focused on improving shop floor management through a wide range of initiatives.
- Techniques such as Kaizen and 5S principals were deployed successfully to optimise production.
- We continued to streamline the distribution structure to achieve better inventory management.
- We leverage technology for conducting meetings through online platforms.
- We focused on optimising operational procedures across all locations and business segments.

Achievements


 Superior return ratios
 Strong Balance Sheet


 Strong margin profile
 Robust cashflows


 Debt-free



Building capacities for an integrated ecosystem

We have set up best-in-class infrastructure for manufacturing, storing and distributing our products. In addition to enhancing utilisation and making the requisite capacity expansions from time to time, we also strive to achieve higher efficiencies and become a leaner organisation. During 2019, we streamlined operations across all our locations to remove duplication and redundancies that came to the fore post the merger. We have successfully merged the operations seamlessly into one, integrated organisation.

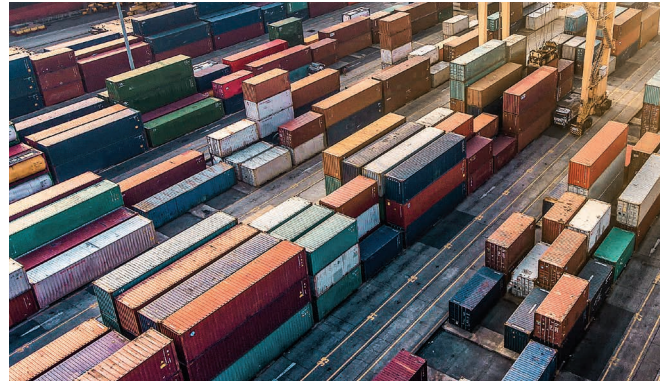
To achieve this, we ensured a re-look at the different operational processes of each entity to identify areas of improvement. We have made considerable progress in establishing a new, integrated inbound and outbound network via our centralised warehouses.

Of the four Central Distribution Centres (CDCs), two are up and running in Mumbai and Vadodara while those in Hosur and Gurugram will be completed in the future. The four CDCs and two Distribution Centres in Kolkata and Chennai will now operate for all three product brands. Our aim is to reduce the time we take to reach and service our customers. Our efforts led to some tangible and intangible benefits.



Benefits of the new logistics system

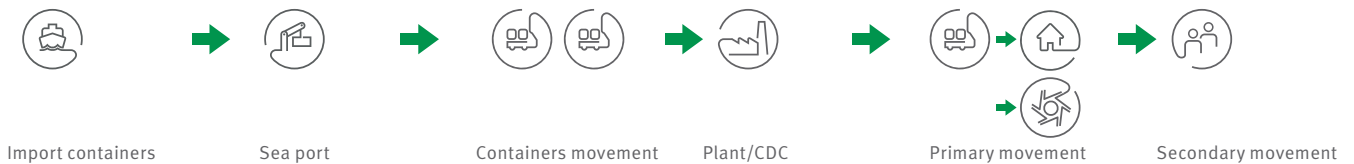
- Consolidation of load across our network of plants and warehouses
- Optimisation of material storage and movement across different locations
- Quicker availability of products
- Better planning, documentation and execution of the order
- Timely delivery to customers
- Reduced number of levels across the entire process
- Improved overall supply chain network



We will continue to optimise the total logistics costs.

One Schaeffler : Integrating to perform better

Before



After



Activity

Consolidation of Baroda and Pune goods	Single Air Waybill (AWB), House Bill of Lading (HBL) and Bill of Entry (BOE) of containers	CDC near port	Use of warehouse for SIL load consolidation	Billing to customers from the nearest CDC	Consolidated load to customer
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Benefit

Rationalise premium freight costs	Optimise Freight Forwarder (FF) and Custom House Agent (CHA) charges	Improve transportation charges	Minimise intercompany freight and Warehouse charges	Improve secondary transportation charges	Minimise transportation charges
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Status

Completed	Completed	Completed	In-progress	In-progress	In-progress
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Innovating in India for the world

We take pride in our culture of excellence in R&D and innovation. Our focus is to provide ‘local solutions using global technology’ at higher speed to the market. We are building and strengthening our competencies to drive innovation ideas from the proof-of-concept stage to the product development stage. Our aim is to deploy valuable customer insights for creating products that fulfil their requirements.

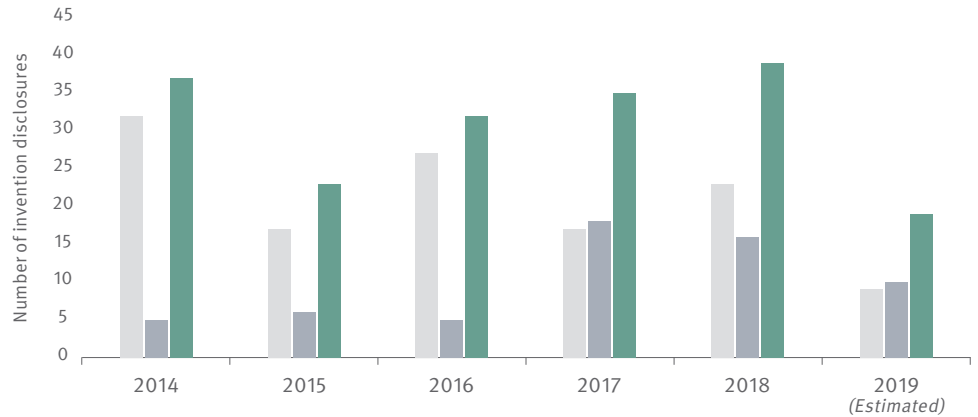
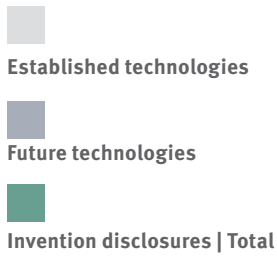
In the short term, we will continue to invest in our R&D capabilities in India to enhance our local product development. We want to scale up our competence and capabilities in the areas of mechatronics and software development to cater to the global market. We are working together with our parent to provide engineering support to the global R&D centres.

Our focus

- Become self-sufficient in R&D for India (local for local)
- Facilitate ‘local for global’ R&D from India
- Improve customers’ confidence in local R&D
- Launch new innovative products



Ramping up our future technology capabilities in India



Progress of localised R&D in 2019

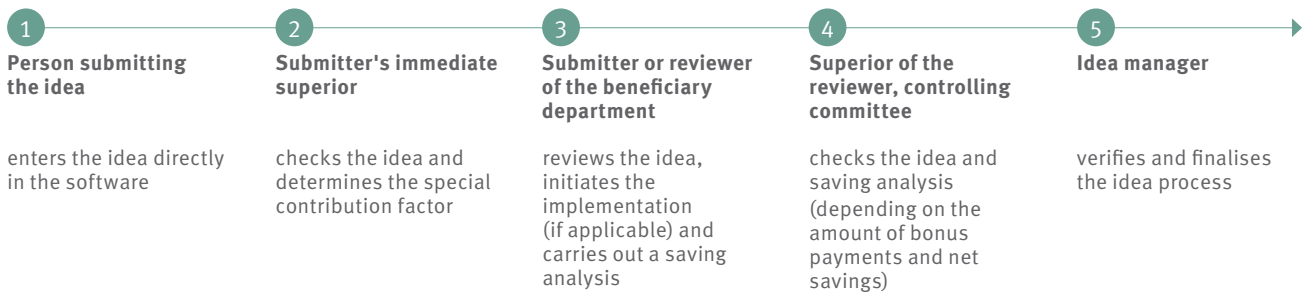
- Low cost, high speed automatic transmission for two and three wheelers which will boost the battery operating range by at least about 10%
- Advanced coating for bearings to reduce friction by 30-40%
- Development of current insulated bearings for the local market
- Best-in-class, locally manufactured Tapered Roller Bearings (TAROL) having applications in Indian and North American railways
- Axle box housings and adapters for application in railways

Case study: Idea management

Objectives

- A global platform for sharing ideas, which when implemented leads to success for both the employee and the organisation
- Employees take part in the company’s business and managers can utilise their collective knowledge.

Idea management process



Continuous support of the process by the idea management department

Impact

People engagement	2019	2018	2017	2016	2015
No. of ideas generated	3,031	2,037	2,244	2,985	2,614
Cost savings (₹ in million)	43	45	45	31	16



Fostering a people-first culture

Our people are the most important pillars of our success. Their relentless efforts and dedication enables us to progress. Our employees embody the values of trust, transparency and teamwork and translate them into their professional conduct every day. We have a diverse set of people across skill sets, races, nationalities and gender.

We are committed to providing our people with a nurturing environment, enabling them to unleash their full potential. We provide them with the tools of continuous learning and upskilling through a structured 70:20:10 learning process for all employees. Different leadership and grooming programmes are conducted across all levels to build a sustainable leadership talent pipeline. We conduct regular learning and development programmes all year round. These include New Hire Integration Programme for new recruits and Young Leader Programme (YLP) and Accelerated Leadership Programme (ALP) for nominated employees to enhance leadership skills. Similar programmes are being conducted for our shop floor employees as well.

In order to enhance the approachability of our management, we launched the Leadership Soundboards programme in April 2018. As a result of the initiative, members of the executive leadership team at Schaeffler India engage closely with 5-6 employees periodically on aspects such as business growth, challenges, outlook and so on. We have completed several such soundboards across our plants and regional offices so far and have received encouraging response from our employees.

We engage with our employees via our internal portal called the S-Connect. It is a platform for communicating important announcements; rolling out global projects; and creating quick, transparent and seamless connect with employees across multiple plants and regional offices.



📄 Case study 1: Cultural transformation

Objectives

- Drive a clear understanding of the rationale behind the merger
- Bring about greater acceptance and adaptability to change
- Create a positive and encouraging environment for change

Challenges due to the merger

- Different size, processes, maturities and culture of the three legal entities
- Insecurities and questions in the minds of employees

Process and current status

- Pool of 44 multipliers underwent a 'Train the trainer' workshop
- Change catalysts took ownership to conduct workshops for employees in the plant and different regions

Location	Batches	Target	Attendance	Completion
Hosur	11	335	272	81%
Pune	12	357	301	84%
Maneja	14	461	392	85%
Total	37	1,153	965	84%

Impact

- Increased comfort among employees, resulting in better transition and mitigating insecurities arising from the change
- Strengthened the 'culture of optimism'
- Inculcated greater transparency, which resulted in better teamwork

📄 Case study 2: Promote diversity and inclusion

Objectives

- Strengthen our position as the 'employer of choice'
- Build a more balanced workforce through an inclusive approach

Process and current status

- Our focus is two-dimensional: cultural assimilation and gender diversity
- We launched the diversity-focused employee referral scheme in October 2018
- We have been hiring women from campus since 2015 and this will continue in the future

	2019	2018
Total number of employees	2,846	2,904
Number of women employees	75	53
Diversity ratio	2.6%	1.8%

Impact

- We are an 'equal rights' employer
- We get access to a competent employee pool comprising returning mothers, young engineering aspirants and so on
- Overall, we have fostered an environment of openness to varied perspectives and cultural acceptance to different people



Translating our success into community prosperity

We are committed to achieving inclusive growth by supporting the development of the communities around us. The HOPE initiative, defines our focus areas in the domain of Corporate Social Responsibility (CSR).

H

Healthcare

O

Occupational skill for better employability

P

Preservation of national heritage, art and culture

E

Empowerment of the society

Healthcare: Mobile health units

- We manage three mobile healthcare units, which cover 78 villages in Vadodara and Talegaon (Pune). Since inception in February 2014, we have provided health consultations to over 3.07 lakhs patients through these units.
- Through these units, we have screened and treated many children and adolescent girls for anaemia and malnutrition.
- Special health camps were conducted in 2019 to cover issues around gynaecology, paediatrician, ophthalmology, oral and dermatology.

Occupational skill for better employability

- Under the Nitara project, we focus on imparting livelihood training programmes to differently-abled girls from weaker sections of the society.
- Our beauty and wellness academy has trained about 155 beneficiaries since 2017 and two-third of them have been placed successfully.
- In 2019, we engaged with reputed industry professionals in the beauty and wellness space to introduce programmes aimed at building leadership, teamwork and self-reliance among students.



Case Study: Schaeffler Technical Enhancement Programme (STEP)

Objective

In our quest to improve employability of the underprivileged youth and bring them into the mainstream, we initiated STEP in 2018. The automotive industry lacks talent pool with relevant skillset. STEP focused on upskilling our youth and helping them as well as the Indian automotive domain. We started our journey in Pune with a strategic partnership with Don Bosco and extended the programme to Hosur with SkillSonics. Students are awarded with National Skill Development Corporation (NSDC) certificate after successful completion of the course.

Key initiatives implemented in 2019

- A STEP project was initiated in Hosur on May 31, 2019, to provide industry-aligned skills such as CNC machinist and mechatronics to underprivileged youth and make them readily employable. About 150 students have been trained so far.
- We set up three technical labs in the areas of CNC Programming, CNC Simulation and Hydraulic and Pneumatic at the Chakan centre. So far, 81 students have been trained and 90% of them have been recruited by 20 organisations.
- We inaugurated an Autotronics Lab in Chinchwad and trained 19 students in the first batch.
- We have partnered with reputed organisations such as Volkswagen and Vidyut Motors, among others, for placement of students.

Preserving the national heritage, art and culture

- Through our project Quest on Wheels, we intend to provide students with guided tours to museums and palaces in and around Vadodara and to the ISRO exhibition centre in Ahmedabad.
- We have conducted 290 trips since 2016 for over 12,000 children from government schools and shelter homes, along with differently-abled children and senior citizens.

Empowering the society

We have partnered with three schools to help them build their infrastructure so that they can empower maximum children, year after year.

Lok Vidhyalaya School

The school had classes from 1st to 5th standards at subsidised fees for underprivileged children. During the year, classes from 6th to 8th standards were started for the academic year beginning June, 2020. We also contributed to building a girls' hostel to accommodate 50 students and are building a boys' hostel for 150 students. 371 students have already enrolled for the upcoming academic year.

Mook Dhvani School

We provide financial support for running the operations of the school, which teaches students who have hearing or communication difficulty. During the year, began classes for 11th and 12th standard Commerce students and appointed expert teachers for Maths and Science to upskill the existing teaching staff. We are facilitating annual meets with parent support groups. We appointed professional audiologists to conduct audiometric tests audiometric tests of all the students and also provided them with consultation and customised digital hearing aids.

Koitewasti School

Since 2017, we have undertaken multiple initiatives to strengthen this Zilla Parishad school in Koitewasti village (near our Talegaon plant). These include constructing classrooms with proper sanitation facilities, providing clean drinking water, and so on.

The school's student count today is 135, having increased 5 times from 2017.

Student retention ratio has improved to 90% with a male-female ratio of 60:40.



Committed to being energy efficient

We are conscious of our responsibility towards the environment and are judicious in natural resource utilisation. From developing products that make the world greener to adopting solar energy across our plants and locations, we have a complete overview of our carbon footprint and are committed to keep it under check.

Sustainability is at the core of our policies when engaging with both internal and external stakeholders. Every employee across the Schaeffler Group has taken the onus for reducing energy and water consumption, minimising wastages and reducing Greenhouse Gas (GHG) emissions across our activities. We have also adopted well-defined and tested processes aligned to a sustainability mindset across the entire supply chain – whether it is about sourcing our raw materials or delivering the end products to the customers. Our ‘Supplier Code of Conduct’ is a comprehensive document that covers policies around fair competition, prohibition of forced or child labour, and safety in the working environment, besides focusing on working with integrity.

Since 2018, we have consolidated our warehouses and distribution centres to drive all-round efficiency and become leaner and more agile. This exercise has led to reduction of over 1,27,600 kms of truck movement and 84,216,000 gms of CO₂ emissions per litre of diesel over the past two years.



Schaeffler Group and all its entities are committed to the vision which states ‘as a technology leader, we strive to shape the future of mobility for a cleaner, safer and a smarter world’. We believe it is imperative to look beyond green mobility to create a sustainable world with reduced energy consumption by companies like us and our customers alike.

Under Schaeffler's sustainability strategy 'Responsibility for tomorrow', we constantly endeavour to contribute in fighting climate change. Our aim is to achieve climate neutrality across all our plants and we have made steady progress in this direction in 2019.

We are proactively engaged in the development of renewable energy production across wind and hydropower. We are exploring and striving to optimise opportunities to expand our offerings in conventional energy generation as well.

Initiatives towards energy conservation

- Adopted greener products and solutions such as clean coolant pumps, LED lights and energy-efficient air compressors and pumps
- Installed gas-based air conditioning units
- Implemented and promoted best practices such as interlocking conveyor motors when idle



Case Study: Embracing solar energy

Key initiatives

We installed solar panels at our Pune plant in 2018. These panels have a capacity of 750 KW, which can meet 10% of the total electricity consumptions of the plant.

Some of the salient features include

- Water-cooled HVAC systems with higher efficiency and lower running cost
- North Light Glazing with clear laminated glass to increase natural lights during daytime

Average per month solar power generation of

70,746 KWh

which is worth ₹ 6,36,720 in value of traditional energy units

Maximum power generation in May 2019

89,850 units

On an average, solar power formed 5.3% of total energy consumption at Schaeffler India in 2019



Currently, solar energy is being adopted at our Savli plant in Vadodara. Our aim is to implement it across all our plants and locations over the next few years.

Safeguarding our business through resilience and foresight

At Schaeffler India, we have well-defined systems and policies in place to ensure prudent risk management across all businesses and functions. In today's rapidly evolving world, organisations have to be aware of and respond quickly to risks.

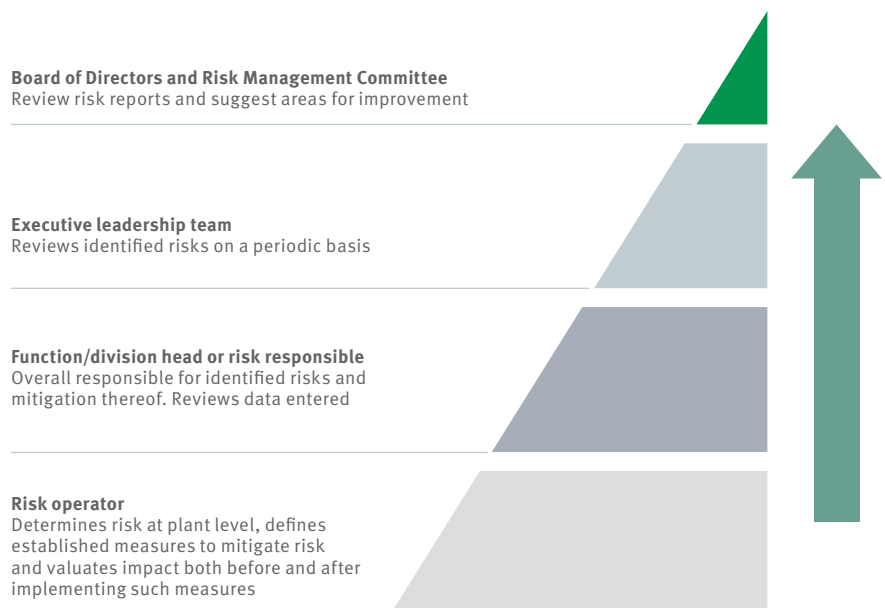
Our risk management system is a multi-layered process involving the entire organisation, right from the Board of Directors to the risk operator. We have set up a risk management committee that oversees this entire process.

Our risk management process



Our bottom-up approach for assessing and managing risks

The risk management strategy as approved by the Board of Directors is implemented by the 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 semi-annually.

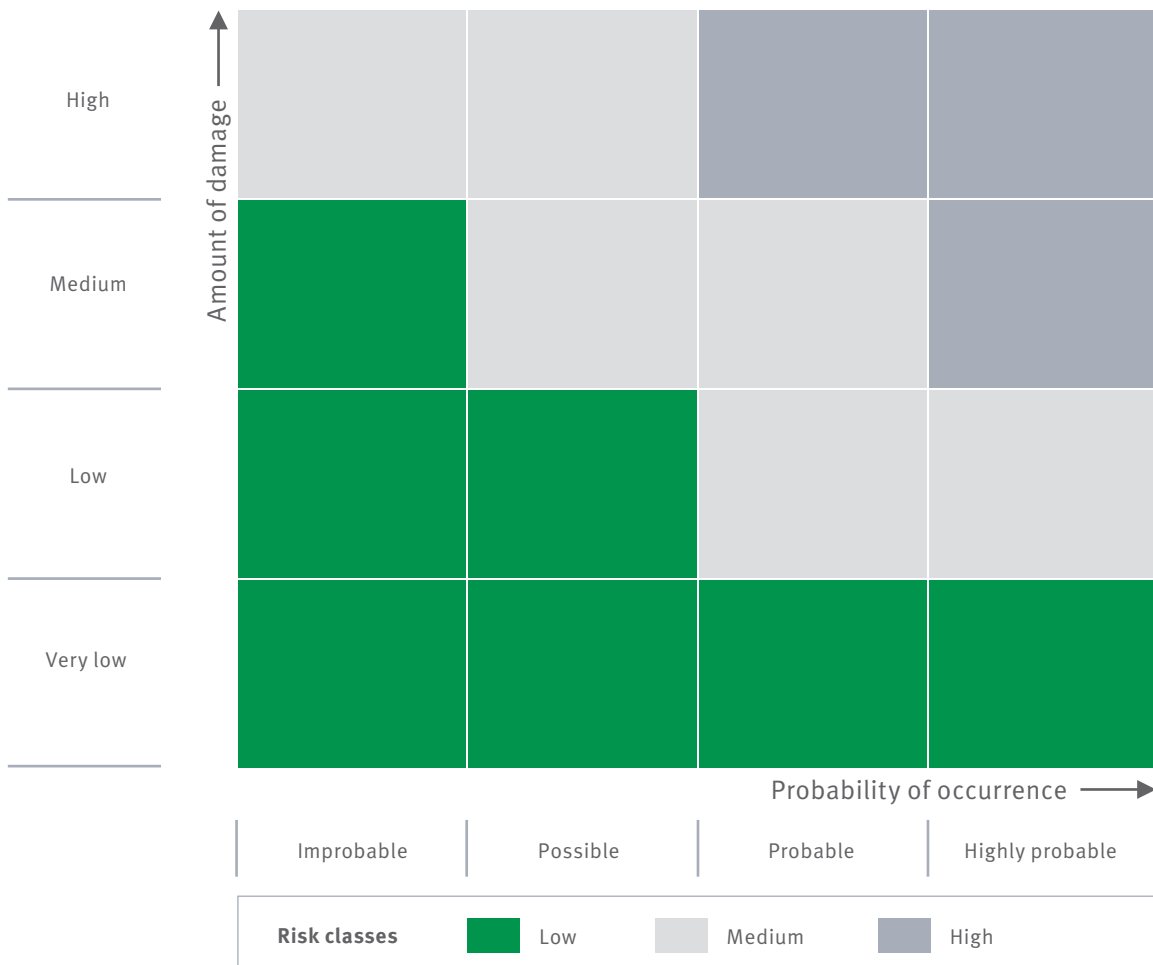


Risk management framework



Risk matrix

Risk assessment is done using a two-dimensional approach — amount of damage each risk can have on an actual basis and its probability of occurrence



Note: Net valuation under consideration of countermeasures

Risk classification

Risks are classified into four categories — strategic, operational, financial and legal.

Key risk categories	Risk description	Risk class	Mitigation measures	Capitals impacted	
Strategic risks					
Country risks	Changes in the social, political, legal or economic stability within or outside the country could hamper our regular operations or planned future expansion. Changes in the political and regulatory environment of markets in which we operate, could have an impact on our net assets, financial position and earnings.		The social, economic and political risks are mitigated through continuous observation of the developments in relevant business environments. We then take appropriate actions in terms of changes in strategies to protect our interest.	 	
Strategic market and technology risks	There are transformative changes forecasted in the marketplace such as reducing diesel penetration, stricter emission norms, potential electrification of vehicle powertrain and so on. Customers are increasingly looking for bundled offerings of products and services. On the manufacturing side, we currently rely on a certain degree of vertical integration and comprehensive production expertise. This expertise facilitates improvements in the production process and ultimately safeguards our ability to maintain our competitive position in the market. The evolution of our business from being component-driven to more systems-driven could increase the proportion of value added.		We are developing new evolving technologies and offerings. We are strategically enhancing our production system to be more modular and are aiming towards 'Factory for Tomorrow'. It is our constant endeavour to improve efficiency to safeguard and further expand our market position.	 	
Operational risks					
Market developments	As we are a supplier in the automotive and industrial sector, demand for our products is, to a large extent, driven by macro-economic conditions. Beside these, in the automotive OEM division, demand is also affected by changes in consumption patterns, fuel prices, interest rate levels and so on. Cumulatively, these factors lead to significant volatility in automobile production, which makes exact sales forecasting difficult. Sales in the industrial division is spread across diversified business fields and no significant risks are identified in these markets. A change in forecasted market trends could have an impact on the net assets, financial position, and the earnings of both automotive and industrial markets.		Markets are analysed on an ongoing basis to detect changes in market structure or regulations early on. Through managed cost efficiency programmes, we flexibly and dynamically reduce the amount of damage from unexpected market slowdowns. Should prices deteriorate unexpectedly, the amount of damage arising from the risk is reduced by renegotiating with suppliers as much as possible.	 	
Financial capital	Manufactured capital	Intellectual capital	Human capital	Social and relationship capital	Natural capital

Key risk categories	Risk description	Risk class	Mitigation measures	Capitals impacted
Operational risks				
Delivery performance	Our ability to deliver represents a key competitive factor for a long-term relationship of customer trust. This factor is being constantly enhanced by systematic improvements in production and delivery logistics. Inability to meet contractual delivery dates could have an impact on our financial position and earnings.		We have built high-performance distribution centres aimed at improving market supply and delivery performance in strategic locations.	
Procurement risks	These risks arise mainly from fluctuations in market prices of raw materials and the ability of our suppliers to deliver. Adverse fluctuations in market prices and/or suppliers' financial distress could have an impact on our financial position and earnings.		Our purchasing team ensures an optimal supply of goods and services to your Company, with a strong focus on quality, cost and delivery performance. By negotiating prices and utilising economic synergies, we are largely able to obtain competitive prices. We keep a close watch on the operations of our suppliers for early signs of distress and are able to intervene, when necessary, to secure our interests.	
Information Technology (IT) risks	The importance of the IT systems utilised across various functions within your Company is growing. The operability of business processes and, therefore, the continuity of operations depend on the availability of IT systems. Three protection targets – confidentiality, integrity and availability – steer your Company's IT security management and protection of data and IT systems. Unauthorised access to IT systems and modification and misappropriation of sensitive business data could have an adverse impact on your Company's net assets, financial position and earnings.		We have adopted the highest standards of IT security systems and constantly upgrade our IT security infrastructure. We educate/train our employees on IT security and inform them about the precautions users must take, to ensure that the IT infrastructure and business data are adequately protected against any possible IT risks.	
Information or cyber security risks	Cybercrimes impose significant threat to the information security and trade secrets of your Company. These may lead to theft, loss, unauthorised dissemination, illegal access and misuse of sensitive business information. Given the increasing number and professionalism of criminal attacks, cybercrimes cannot be entirely ruled out and could have an impact on our net assets, financial position and earnings.		To mitigate cyber security risk, we have set up various security measures, including internet proxy gateway with seven layers of security. Additionally, Advanced Persistent Threat (APT), which is one of the latest alarming systems for any illegal intrusions, has also been implemented. Apart from these, we have also implemented an Intrusion Prevention System (IPS), which mitigates the risk of cyber-attack through unsecured IT environment, such as software from production machines.	
Risk with high probability and high negative impact on financials Risk with medium probability and medium negative impact on financials Risk with low probability and medium impact on financials or high probability but negligible impact on financials				

Key risk categories	Risk description	Risk class	Mitigation measures	Capitals impacted
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Operational risks

Production risk	Given that our manufacturing facility is capital-intensive, a large proportion of our costs are fixed. As a result, decrease in utilisation of plant capacity leads to under absorption of costs and impacts our earnings adversely. Moreover, influence of force majeure could result in delays or interruptions of production and supply chain, leading to non-fulfillment of market demand. The period between failure at plant and arrangement of alternative source could impact our net assets, financial position and earnings.		We regularly review market conditions and align our production plan accordingly. Where necessary, we realise alternative source from another plant within Schaeffler Group. To minimise the probability of occurrence of unplanned interruptions, we take extensive fire-prevention measures	
Loss of market share	We face competition in all business fields we operate in. As a result, we are exposed to the dual risk of either being displaced by existing or new competitors or our products being replaced by product innovations or new technological features. Customer dissatisfaction on price, quality, delivery performance and design could lead to loss of market share.		We ensure close cooperation with our key customers on product development. We have implemented strict product quality controls to reduce the likelihood of substitution. We are also developing products that will help us to step up the value chain from components to systems.	

Financial risks

Warranty and liability risks	We are known for our high standard of product quality. We employ a certified quality management system besides continuously striving to improve quality processes. Notwithstanding these, there is a risk of products with poor quality being delivered to our customers. Usage of defective parts can lead to damages, unplanned repairs or recall on the part of customers. This can result in liability claim or reputational damage.		We respond to such risks by adopting strict quality control measures and continually improving our production processes to minimise the probability of warranty and liability risks materialising. All product and recall liability risks are insured.	
Product piracy risks	Our product brands INA, LuK and FAG are associated with best-in-class quality, durability and reliability standards, making them increasingly susceptible to product piracy		We protect our intellectual property by engraving special markings on our products, making them anti-counterfeit. We also follow a strict vigilance process to ensure timely detection of counterfeiting instances and initiation of legal actions against the guilty. Additionally, we regularly upgrade our digital anti-counterfeit app to support these initiatives.	

	Financial capital		Manufactured capital		Intellectual capital		Human capital		Social and relationship capital		Natural capital
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Key risk categories	Risk description	Risk class	Mitigation measures	Capitals impacted	
Financial risks					
Tax risks	Our company is subject to tax audits. Tax authority’s interpretation of the tax law or of relevant facts made in the current or future tax audits may differ from that of your Company. This may lead to adjustments to tax base and increase in tax liabilities. Additional tax payment as a result of an adjustment to the tax base could have an impact on our financial position.		We extensively evaluate existing and new tax laws, both internally and with external tax experts, before implementing them. The implementation strategy is well documented, reviewed periodically and amended as necessary.	 	
Pension risks	We have pension obligations towards our employees. Such obligations are measured using actuarial valuation based on assumptions with respect to the discount rate, increase in personnel payments and statistical life expectancy. Planned assets are invested with external agencies, which are subject to fluctuations in value. A change in these parameters could have an impact on our net assets.		We use government bond rate as discount rate and invest in pension fund with a Government of India enterprise (LIC). Actuarial valuation is carried out on a quarterly basis, adequate provisions are established in books of accounts and funds are appropriately transferred to LIC.	 	
Currency risks	We are exposed to currency risks due to our cross-border transactions. The largest currency risks from operations result from fluctuations in the USD and Euro exchange rates.		We follow a structured hedging strategy to counter currency risks, which is reviewed periodically.		
Liquidity risks	The risk that our company will not be able to meet its payment obligations as they come due is referred to as liquidity risk. The risk can arise if financing needs cannot be met by existing funding arrangements, including surplus cash balance. Even though we have surplus cash and do not foresee any liquidity risks, we have put efficient liquidity management measures to mitigate associated risks.		We monitor liquidity risks using a rolling liquidity plan with a forecast period of 12 months. Short-term cash flows are monitored daily as well.	 	
Legal risks					
Compliance risks	Given that we operate at different locations, we must comply with laws and regulations across the country. We face a risk of violating any existing law despite careful observance of legal requirements.		We have set up a comprehensive compliance management system where the laws and regulations applicable to your Company are mapped. Each compliance requirement is mapped to the relevant process owner. The system sends alerts and reminders to each such process owner to enable them to comply with the requirements in a timely manner. Our management regularly reviews a comprehensive compliance report. The system is also updated regularly to capture regulatory changes and amendments.	 	
	Risk with high probability and high negative impact on financials		Risk with medium probability and medium negative impact on financials		Risk with low probability and medium impact on financials or high probability but negligible impact on financials

Awards & accolades

Recognised for our excellence

1_ The Transmission division was recognised with 'Partner Level Award' for the sixth time in a row by John Deere.

2_ We won the '2019 Indian Future of Mobility Product Line Strategy Leadership Award' at Frost & Sullivan's 2019 Intelligent Mobility Awards Banquet.

3_ Schaeffler India was recognised as among India's Fastest Growing Companies by Outlook Business.

4_ The Hosur plant was awarded with Best Supplier Award by Tractors and Farm Equipment Limited (TAFE) India for achieving Zero PPM consistently in 2019.

5_ Mahindra's Farm division won the Mahindra Supplier Excellence Award for the Best Product Development Performance at the annual supplier conference of Mahindra & Mahindra Group held in Berlin.

6_ The Pune team was awarded for Quality and Delivery Performance, while the Hosur team was awarded for Quality Performance with Zero Defect Supplies, both in 2018, by Toyota Kirloskar Awards.

7_ Schaeffler India - Pune was awarded the Zero PPM supplier award for defect-free supplies throughout 2018 by Divgi Torque Transfer Systems.

8_ We were recognised as the Best Supplier for Outstanding Performance in Quality for 2018 by Kubota Tractors.

9_ Schaeffler India, Pune, received the Best Supplier award for Zero Warranty and Zero PPM for 2018 from FCA India.

10_ We ranked third at the 14th Quality Circle Competition organised by Automotive Component Manufacturers Association of India (ACMA), Western Region.

11_ The Engine business was awarded by Maruti Suzuki India for Design and Development of lightweight, efficient and cost-effective products.

12_ The Chassis business was presented with the 'Consistent Performance on QCD (Quality, Cost & Delivery) Aspects' award during 2018-19 by Rane (Madras) Limited.

13_ BHEL Hyderabad recognised us as the best vendor for the year 2018-19, in recognition of the products supplied and services rendered to the Pulverisers Division.

14_ We won the Kaizen Award in the Productivity category at 10th Kaizen Competition organised by Automotive Component Manufacturers Association of India (ACMA), Western Region.



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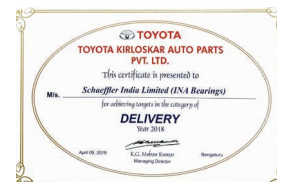
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Company information

Board of Directors

Chairman	Mr. Avinash Gandhi
Managing Director & CEO	Mr. Harsha Kadam (effective October 1, 2019)
Director – Finance & CFO	Mr. Satish Patel
Directors	Mr. Klaus Rosenfeld
	Mr. Jürgen Ziegler
	Mr. Dharmesh Arora
	Mrs. Renu Challu
	Mr. R. Sampath Kumar
	(ceased to be a Director effective May 30, 2020)
	Mr. Arvind Balaji (effective November 6, 2019)
	Mr. Amit Kalyani (effective February 11, 2020)

Company secretary

Mr. Ashish Tiwari (effective February 29, 2020)
Mr. Chirag K. Shukla (upto February 28, 2020)

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

Corporate office

15th Floor, ASTP (Amar Sadanand Tech Park) Baner,
Pune – 411045

Manufacturing plants

1. P.O. Maneja, Vadodara – 390 013, Gujarat, India
2. Plot No.1 (Alindra), Savli GIDC Phase - III,
Taluka: Savli, District Vadodara – 391 775,
Gujarat, India
3. Plot No. A-3 Talegaon Industrial & Floriculture
Park, Village Ambi, Navalakh Umbre, Tal. Maval,
Talegaon Dabhade, District Pune – 410 507
Maharashtra, India
4. Survey No. 950, Royakottah Road, Hosur, District
Krishnagiri – 635 109, Tamil Nadu, India

Sales offices

Navi Mumbai, Bengaluru, Chennai, Coimbatore,
Gurugram, Jamshedpur, Kolkata and Secunderabad



SCHAEFFLER

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Management Discussion and Analysis

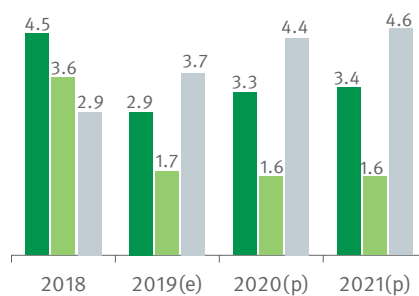
1. Economic overview

1.1 Global

According to the International Monetary Fund (IMF), global economies are estimated to have grown by 2.9% in 2019, down from 3.6% in 2018 and 3.8% in 2017. Weakening economic activity in a few emerging markets such as India, continued uncertainty around trade policy of leading economies and geopolitical tensions were some of the prominent reasons for this slowdown.

Global growth

(%)



p: projections, e: estimate



Source: IMF - World Economic Outlook, January 2020

Most advanced economies witnessed further decrease in economic activity during the year. Even as job creation started to pick up from record lows, consumer price inflation remained muted across most advanced economies amid lower demand for prominent metals as well as oil. The government and central banks around the world continued to announce measures to boost consumption growth. Easing of monetary policy across most economies provided support and is likely to aid world economy over the next few months.

Outlook

The IMF expects global growth to improve and reach levels of 3.3% in 2020 and 3.4% in 2021. Notably, these projections were lowered by 0.1 percentage point and 0.2 percentage points in January 2020, respectively, as compared to those made in October 2019, after considering aggravating stress points in select emerging and advanced economies and rising social unrest. Benefits from easing monetary policy could provide significant tailwinds to economic growth in 2020. Stronger cross-border cooperation and implementation of supportive fiscal policies aimed at boosting demand could also aid global activity.

1.2 India

In FY20, growth in India’s GDP is estimated to touch 11-year lows of 5.0% (Source: National Statistical Office). This slowdown is a combined outcome of factors such as deceleration in consumption (~60% of GDP), subdued investments (~30% of GDP), sluggish growth in the manufacturing sector and declining credit growth, to name a few. Amid subdued demand, inflation as measured by the consumer price index remained largely benign for most part of 2019. However, in sync with the surge in vegetable prices, this metric moved up in the last 2-3 months of the year and crossed the 7% mark for the first time in the past 2-3 years. In view of these pressures, the government has relaxed the targeted fiscal deficit for FY20 to 3.8%.

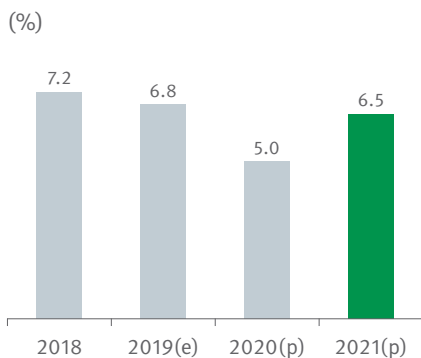
Outlook

The IMF estimates India’s GDP to grow by 6.5% in FY21 on the back of monetary and fiscal reforms, subdued oil prices and the improving health of corporates. Measures such as lower corporate taxes for new manufacturing units will be key to making India a preferred manufacturing destination in Asia. A large domestic market, improving ease of doing business, reasonable labour costs and availability of skilled resources are other enablers for such a shift. Thus, India’s manufacturing sector could witness sustainable recovery, going forward. With most companies coming to terms with the Insolvency and Bankruptcy Code, 2016 (IBC) due to takeover by larger, more capable corporates, private capex is likely to get a boost over the medium term.

Government measures to boost growth

- Reduction in basic corporate tax rate to 15% for all new manufacturing units commencing production before March 2023
- Reduction in basic corporate tax rate from 30% to 22% for existing companies
- Provision of special funds for stalled housing projects
- Extension of time limit for interest on affordable housing loans
- Reduction in income tax rates for individuals
- Focus on improving the ease of doing business

India's GDP growth



p: projections, ae: advanced estimate
 Source: National Statistical Office, IMF - World Economic Outlook, January 2020



2. Industry overview

2.1 Automotive sector review

Automotive sales witnessed a severe slowdown (worst in the past two decades) across all segments in the year gone by. Structural factors such as growing congestion in bigger cities, increasing share of ride-hailing apps such as Ola and Uber, moderating economic growth, financing issues and subdued consumption contributed to this weakness. Migration to BSVI emission norms also added pressure on auto manufacturers in terms of the investment entailed and the time needed to replace the older inventory.

Auto sales

(In '000s)	2019	2018	% change
Two-and three-wheelers	24,170	26,546	(9)
Commercial vehicles	893	1,109	(19)
Passenger vehicles	3,623	4,062	(11)
Agriculture tractors	773	926	(17)

The Government of India announced some measures to provide relief to the sector over the medium to long term.

Union Budget 2020: Positive announcements for the domestic automobile sector

- Increase in customs duty on imported EV to aid their production indigenously
- A ₹ 1,000-crore scheme for mid-sized auto and auto component makers to push exports, R&D and technology upgradation

However, more needs to be done to revive demand. Some of the enablers for demand would be to introduce incentive-based vehicle scrappage scheme, provide budget allocation for procurement of diesel buses by state road transport undertakings and initiate zero customs duty for lithium ion batteries.

Outlook

Industry experts believe recovery in the automobile sector will be a gradual one. The sector (which forms 3-4% of India's GDP) is likely to witness normalisation of inventories in 2020, which could help arrest the decline in volumes. Easing of interest rates and expectations of improving demand in rural areas are other enablers for the sector. Segments such as passenger vehicles, which are under-penetrated as compared to other countries, could also see some revival, especially in the compact segment. Rising adoption of EVs (particularly those used for public transport) in the country is a long-term, fundamental driver of growth.

2.2 Industrial sector review

Industrial activity in India as measured by the Index of Industrial Production (IIP) witnessed mixed trend in 2019 owing to a broad-based slowdown in the economy. For the first three months of the year, this metric remained muted with y-o-y growth staying between 0.1% and 1.6%. It hovered largely around the 4.3-4.6% range between April and July (2% growth in June) and continued to decline for the three months ending October 2019. It witnessed an uptick of 1.8% in the month of November, which can be attributed to some rebound in construction activity as well as a lower base of the previous year. Core sector output too remained subdued for a large part of the year led by a steep fall in consumer durables output and weakness in the steel, refinery, fertilisers, electricity and cement sectors.

Outlook

The Government of India continues to provide higher thrust to the manufacturing sector in India. Besides improving the overall environment for doing business, various measures have been announced to boost investment in the sector. Multiple nation-wide projects and initiatives such as development of industrial corridors, smart cities and 'Make in India', among others, are likely to aid performance of the industrial sector over the next few years. Additionally, a host of measures are underway to strengthen India's railway infrastructure. This includes upgradation of railway stations, building and expanding metro stations and replacing older coaches.

Union Budget 2020: Positive announcements for the infrastructure and engineering sectors

- Total capital outlay for railways of ₹ 1.6 trillion
- Proposed a pipeline of ₹ 1 trillion by infusing ₹ 220 billion equity in infrastructure finance companies (such as IIFCL and NIIF)
- 100% tax exemption proposed on the interest, dividend and capital gains income of Sovereign Wealth Fund's investments in the infrastructure sector



3. Business overview

Schaeffler India operates in two businesses, namely automotive and industrial, providing a diverse product portfolio. Your Company also provides best-in-class training services to important groups such as garages and fleet workshops under the automotive aftermarket and industrial distribution segments. Your Company enjoys a prominent position in all its business segments. It has a balanced revenue mix between its automotive and industrial businesses.

3.1 Schaeffler India: SCOT analysis



Strengths	Challenges	Opportunities	Threats
<ul style="list-style-type: none"> • Strong parentage that provides decades of experience, a strong ecosystem and multi-faceted capabilities • A culture of innovation that enables your Company to offer superior products and gain competitive advantage • Wide range of products across automotive as well as industrial business segments • A scalable, agile and robust business model • Strong capabilities and an expert team of professionals 	<ul style="list-style-type: none"> • Rapid changes in the technology landscape • Scaling up of digitalisation capabilities 	<ul style="list-style-type: none"> • Realise full potential of the three brands to drive top line growth • Optimise our R&D capabilities to offer distinct, game-changing solutions for both the local and global markets • Embrace digitalisation across all functions • Immense potential to grow products catering to the EVs and other technologically advanced product segments • Potential to move up the value chain — from providing products to providing systems and end-to-end solutions 	<ul style="list-style-type: none"> • Prolonged stress in the macro economy, automotive and industrial sectors • Unforeseen and sudden currency volatility and raw material prices

3.2 Operational performance review

Your Company posted a fitting performance in 2019, even under the adverse market conditions. The team’s all-round focus on becoming a leaner, more cost-efficient entity offset some of the pressures arising from weak demand. Your Company responded swiftly to the market trends and improved inventory across all locations. By keeping a firm eye on ensuring availability of healthy free cashflows, your Company mitigated a large part of the stress on its working capital needs. As a consequence of these efforts, your Company managed to register relatively better (than industry) operating profit in the year. Reduction in corporate taxes provided additional support to your Company’s profitability during the year.



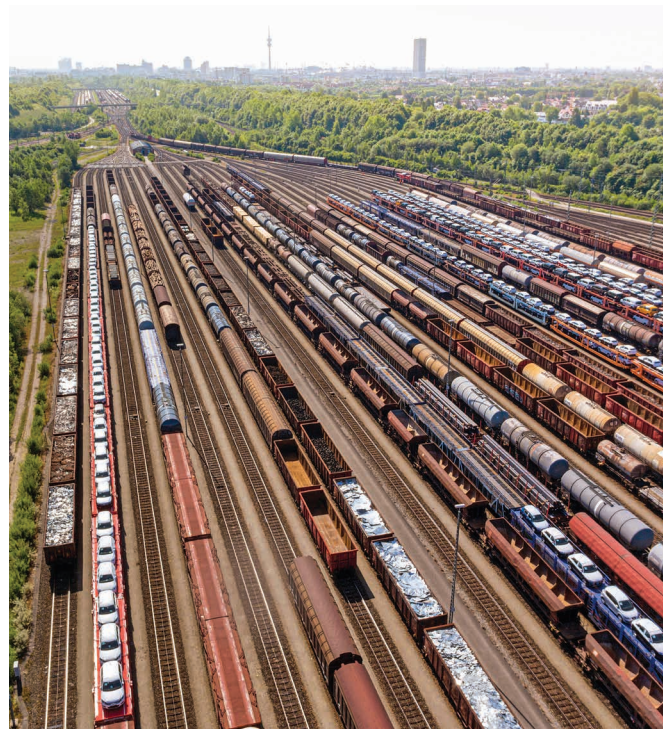
Automotive

Improving sales mix and a sharp focus on driving cost rationalisation enabled your Company to balance some of the pressure on revenues as well as profitability during the year. Schaeffler India’s strong association with a wide array of automotive OEM manufacturers – both existing and new – was a key enabler to this segment’s performance in 2019. Your Company continued to launch distinct, innovative products during the year and hence was able to protect its market share across most products, such as heavy-duty bearings (load bearing capacity of 32.5 tonnes) for dedicated freight corridors.

Revenues from this business declined for the first three quarters of 2019 (witnessing some improvement in the last quarter), owing to a sharp fall in the production volumes of commercial and passenger vehicles.

Industrial

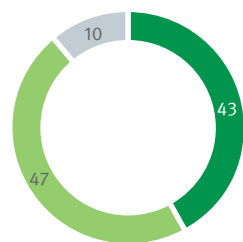
This business continued to perform well for most part of the year. Strong growth in industrial revenues helped reduce the impact of falling revenues in the automotive business. Though it started softening a bit in the last quarter, this development is likely to be short-lived. Your Company’s expertise and rich experience in this segment has empowered it to build solid, long-lasting and trustworthy relationships with its customers. Schaeffler India has demonstrated its ability to create value for its customers by partnering them to enhance the quality, productivity and reliability of their processes and plants. While most segments are witnessing a healthy momentum, demand from wind energy and railways (including metros) grew at robust levels in 2019 as compared to 2018. The industrial aftermarket segment registered double-digit growth.



3.3 Financial performance review

In 2019, there was a degrowth of 4.4% in net revenues to ₹ 43,606.3 million as compared to ₹ 45,615.1 million in 2018. Owing to the balanced revenue model of your Company, decline in the top line was restricted and was better compared to the industry. Growth in the industrial segment compensated for the fall in automotive volumes and lower proportion of diesel vehicles in the passenger segment. Exports sales were similar to those recorded in 2018. While there were some pressures witnessed on the operating profit owing to lower capacity utilisation, lower outgo towards corporate taxes aided profit after tax. This metric stood at ₹ 3,676.4 million in 2019 as compared to ₹ 4,198.0 million in 2018, and decreased by 12.4% on a y-o-y basis.

Revenue mix (%): 2019



- Automotive and automotive aftermarket
- Industrial and industrial aftermarket
- Exports

(₹ in million)		
Particulars	2019	2018
REVENUES	43,606.3	45,615.1
EBITDA*	6,460.8	7,585.4
Less: Depreciation	1,587.1	1,485.0
Less: Finance cost	34.7	70.4
Add: Interest income	507.2	719.0
PROFIT BEFORE TAX (before exceptional items)	5,346.2	6,749.0
Provision for Tax	1,666.4	2,119.0
PROFIT AFTER TAX	3,676.4	4,198.0

Your Company managed to reduce its inventory days from 73 in 2018 to 60 in 2019. Working capital days in 2019 were in line with last year at 72 days of sales versus 70 days of sales in 2018. Your Company continues to make strategic investments and incurred capex of ₹ 3,200 million in 2019.

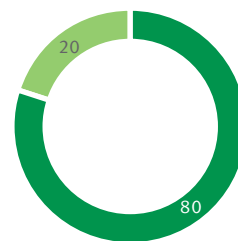
* Earnings before Interest, Tax, Depreciation and Amortization

3.3.1 Revenue

Revenue stood at ₹ 43,606.3 million in 2019 versus ₹ 45,615.1 million in 2018. Weak demand in the automotive and ancillary sectors had an impact on revenues from mobility components and related solutions, which declined by 7%, while revenues from other segments grew by 9% compared to 2018.

(₹ in million)		
Particulars	2019	2018
Segment revenue		
Mobility components and related solutions	35,015.9	37,732.9
Others	8,590.4	7,882.2

Revenue mix (%): 2019



- Mobility components and related solutions
- Others

3.3.2 EBITDA

EBITDA stood at ₹ 6,460.8 million in 2019 versus ₹ 7,585.4 million in 2018, down 14.8%. Favourable sales mix and focus on achieving higher cost efficiencies aided this metric during the year.

(₹ in million)		
Particulars	2019	2018
EBITDA*	6,460.8	7,585.4
Less: Depreciation	1,587.1	1,485.0
Less: Finance cost	34.7	70.4
Add: Interest income	507.2	719.0
PROFIT BEFORE TAX (before exceptional items)	5,346.2	6,749.0

Management Discussion and Analysis

3.3.3 Profit before tax

Profit before tax in 2019 was at ₹ 5,346.2 million compared to ₹ 6,749.0 million in 2018, down 21%. This decline was partly on account of a one-time interest income in 2018.

	(₹ in million)	
Particulars	2019	2018
Profit before tax (before exceptional items)	5,346.2	6,749.0

3.3.4 Taxes

Tax expense was at ₹ 1,666.4 million in 2019 against ₹ 2,119.0 million in 2018, down 21%. Corporate tax rate reduced from 34.94% in 2018 to 25.17% in 2019.

	(₹ in million)	
Particulars	2019	2018
Tax expense	1,666.4	2,119.0

3.3.5 Profit/(loss) after tax

Profit after tax in 2019 was at ₹ 3,676.4 million compared to ₹ 4,198.0 million in 2018, down 12%.

	(₹ in million)	
Particulars	2019	2018
Profit after tax	3,676.4	4,198.0

3.3.6 Cashflow

Cash from operations stands at ₹ 5,097.7 million in 2019 versus ₹ 2,382.0 million in 2018.

	(₹ in million)	
Particulars	2019	2018
EBITDA*	6,460.8	7,585.4
Income tax	(1,633.3)	(2,287.2)
Change in working capital and others	270.2	(2,916.2)
Capital expenditure**	(3,198.6)	(2,438.5)
Interest Income**	536.0	546.6
Free cash flow	2,435.1	490.1

* Earnings before Interest, Tax, Depreciation and Amortization

** Figures are net

4. Business outlook

Schaeffler India is progressing well on most of its strategic objectives and will continue to make requisite investments to take its growth to the next level. Your Company is looking to strengthen its local R&D capabilities and expand its edge. Focus on localisation is likely to continue and the proportion of products sourced locally is targeted to improve over the years.

In the automotive business, your Company will continue to focus on providing innovative products and solutions with superior technology. It will play a proactive role in bringing environment-friendly products to India. Your Company plans to capture the opportunity presented by the implementation of the BSVI norms and increase its content per vehicle by 30%. Launch of new products across categories such as clutches, damping systems and engine parts with higher customer value proposition will enable your Company to grow this business. Implementation of Corporate Average Fuel Efficiency/Economy (CAFÉ) norms to reduce CO₂ emissions will aid the proportion of diesel content per vehicle and is likely to benefit your Company.

In the industrial business, Schaeffler India will continue to focus on deepening its relationships with existing customers on one hand and growing the overall client base on the other. It is looking to expand and improve the value chain and offer complete solutions (rather than only products) to cater to their multi-faceted needs.



5. Internal control systems

Your Company has a system of Internal Financial Controls (IFC) that ensures 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 Schaeffler Group's 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 auditors.

Your Company's IFC is conceptually based on regulatory framework, as applicable. The controls defined in the framework are applied at all levels — entity level, process level and IT systems level. The management assesses the appropriateness and effectiveness of the controls in place on a 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 defined controls that is performed using a risk-based approach. The process controls are self-evaluated

and audited by the internal and 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, makes significant audit observations and monitors the sustainability of remedial measures.

Cautionary statement

Statement made in the 'Management discussion and analysis' describing the Company's objectives, projections, estimates and 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 your Company's operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets in which your Company operates, changes in the government regulations, tax laws, other statutes and other incidental factors.

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
3	Registered address	Nariman Bhavan, 8 th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai – 400 021, Maharashtra, India
4	website	www.schaeffler.co.in
5	E-mail ID	info.in@schaeffler.com
6	Financial Year reported	January 1, 2019 to December 31, 2019
7	Sector(s) that the Company is engaged in (industrial activity code-wise)	Ball and Roller Bearings and related components, Engine Components, Clutch cover assemblies, clutch driven plates and related components – NIC code 2814
8	List three key products/services that the Company manufactures/ provides (as in balance sheet)	
9	Total number of locations where business activity is undertaken by the Company	14
	a) Number of International Locations (Provide details of major 5)	-
	b) Number of National Locations	14
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 (₹)	As on December 31, 2019 the paid-up capital of the Company stood at ₹ 31,26,07,340 consisting of 3,12,60,734 Nos. of Equity Shares of ₹ 10 each
2	Total Turnover (₹)	The turnover for the Financial Year 2019 was ₹ 43,606.3 million
3	Total profit after taxes (₹)	For the Financial Year ending on December 31, 2019, the net profit of the Company was ₹ 3,676.4 million
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.52%
5	List of activities in which expenditure in 4 above has been incurred:	Please refer. Project-wise summary under CSR Report on page No. 81-82

Section C: Other Details

1	Does the Company have any Subsidiary Company/ Companies?	Company has no Subsidiary as on December 31, 2019
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

a) Details of the Director responsible for implementation of the BR policy/policies and BR Head

1	DIN Number	07736005
2	Name	Mr. Harsha Kadam
3	Designation	Managing Director
4	Telephone No.	+91 2068198400
5	E-mail ID	harsha.kadam@schaeffler.com

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

Question	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
	Ethics, Bribery & Corruption	Sustainability	Treatment of Employees & Colleagues	Behaviour towards Stakeholders	Human Rights	Environment, Health & Safety	Industry Association	CSR	Customer Excellence
1	Do you have a policy/policies for...								
2	Has the policy being formulated in consultation with the relevant stakeholders?								
3	Does the policy conform to any national/international standards? If yes, specify?								
4	Has the policy being approved by the Board? If yes, has it been signed by MD/ Owner/ CEO/ appropriate Board Director?								
5	Does the Company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?								
6	Indicate the link for the policy to be viewed online?								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?								
8	Does the Company have in-house structure to implement the policy/policies.								
9	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?								
10	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?								

3. Governance Related to BR

- a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company: 3-6 months by CEO
- b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?
The Business Responsibility Report is published annually and is part of the Annual Report of the Company. The weblink for the same is <https://www.schaeffler.co.in/content.schaeffler.co.in/en/investor-relations/financials/annual-reports/index.jsp>

Section E: Principle-wise Performance

Principle 1

1	Does the policy relating to ethics, bribery and corruption cover only the Company ? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?	Yes
2	How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.	<p>The Company 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.</p> <p>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.</p>

Principle 2

1	List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.	<ol style="list-style-type: none"> 1. Clutch Disc – With no Asbestos 2. 1T bearings for automotive applications and New Generation DGBB Bearings 3. Large Size Bearings for windmills – with increased life and durability
2	For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):	
a)	Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?	<p>The Company has a targeted reduction in process water requirements. The Company has also undertaken rainwater harvesting in some of the plants to improve the ground water level.</p>
b)	Reduction during usage by consumers (energy, water) has been achieved since the previous year?	<p>Company produces energy efficient products which gives high durability and consumes less energy.</p> <p>For e.g.</p> <ol style="list-style-type: none"> 1. Water Pump Bearings of the Company provides higher efficiency which tends to consume comparatively less power. 2. Company produces a self-adjusting clutch which helps engine of a vehicle for less fuel consumption. 3. 1T Bearings are 'greased-and-sealed-for-life' bearings that return optimised friction levels translating in to efficiency for the consumers. New generation DGBB bearings are 35% more efficient than normal DGBB bearings.

 Principle 2 Continued

3	Does the Company have procedures in place for sustainable sourcing (including transportation)?	<p>Yes</p> <p>EnEHS policy drives the sustainable sourcing which was derived as a policy.</p> <p>Minimum Environmental Impact and Environment Friendly Products– Regardless of the activities we are carrying out, we endeavour to minimise environmental impact by taking suitable measures in advance. We consume raw materials and energy sparingly and make every effort to minimise waste, waste water, noise, and other emissions.</p> <p>We manufacture environment friendly products taking into account the entire product lifecycle.</p> <ol style="list-style-type: none"> 1. Agreement of Scrap Recycling by supplier 2. More than 50% suppliers are certified with ISO14001. <p>The suppliers are imparted awareness about various environmental aspects and guidelines regarding good environmental practices from time to time. Suppliers are also audited for the basic environmental, health and safety requirements.</p> <p>Suppliers are selected after following due process and it particularly covers the aspects of environment condition and actions taken by the supplier for protecting it. The purchase teams are trained in environmental sound purchasing and Schaeffler Group guidelines which ensures the minimum impact.</p>
a)	If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.	
4	Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?	<p>Yes</p> <p>Localisation projects are being increased year on year, which is a major focus area to reduce the cost and energy.</p> <p>Sourcing is done from large as well as small sized suppliers.</p> <p>We have commodities defined for procuring the goods from all locations of the plant, which includes small producers, communities within the area of plants located.</p>
a)	If yes, what steps have been taken to improve their capacity and capability of local and small vendors?	<p>The Company has dedicated supplier quality evaluation teams and programmes to improve their capability and competence.</p>
5	Does the Company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.	<p>Yes</p> <p>Manufacture environment friendly products after taking into account the entire product lifecycle.</p> <p>Not taking back the materials from consumers after usage for recycle but some of the unique products from major customer are refurbished.</p> <ol style="list-style-type: none"> 1. Railway bearings are sent back to plant for overhauling and then for reusing. 2. Recycling of scrap & waste is >80% in all locations of the Company. <p>Company has a target of achieving 90% recycle of scrap and waste by 2020, which will protect the resource depletion and thereby protect the environment.</p> <hr/>

Business Responsibility Report

Principle 3		
1	Please indicate the Total number of employees.	2,846
2	Please indicate the Total number of employees hired on temporary/contractual/casual basis.	1,463
3	Please indicate the Number of permanent women employees.	75
4	Please indicate the Number of permanent employees with disabilities.	12
5	Do you have an employee association that is recognised by Management	<ol style="list-style-type: none"> 1. FAG Karmachari Association 2. Shiv Kranti Kamgar Sanghatana 3. LuK India Employees Union 4. LuK India National Employees Union
6	What percentage of your permanent employees is members of this recognised employee association?	33.08%
7	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	
	The details are as below:	
Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1 Child labour/ forced labour/ involuntary labour	NIL	NIL
2 Sexual Harassment	1	0
3 Discriminatory Employment	NIL	NIL
8	What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?	
	The details are as below:	
	Employee imparted safety training	Employees imparted skill up-gradation training
a) Permanent Employees	52.5%	72.9%
b) Permanent Women Employees	74.7%	74.7%
c) Casual/Temporary/Contractual Employees	41.9%	41.9%
d) Employees with Disabilities	66.7%	66.7%
Principle 4		
1	Has the Company mapped its internal and external stakeholders?	Yes
2	Out of the above, has the Company identified the disadvantaged, vulnerable & marginalised stakeholders.	Yes
3	Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalised stakeholders. If so, provide details thereof, in about 50 words or so.	The Company recognizes its responsibility towards disadvantaged, vulnerable and marginalised stakeholders. The Company has undertaken hallmark programmes under 'HOPE' initiative which focuses on Health, Occupational skills development and Protection of Heritage & Education. The details of such programmes and their impact assessment are disclosed in Corporate Social Responsibility section of the Annual Report.

Principle 5		
1	Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?	The Code of Conduct of the Company provides for the human rights and it extends to Group as well as other associates.
2	How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?	There were no complaints with regard to Human rights violations.
Principle 6		
1	Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others.	Yes, extends to all interested parties. Open communication. We conduct an intensive and trusted dialogue with interested parties. We provide information about our occupational health and safety and environmental protection measures as well as the impact that each of our locations has on the environment.
2	Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.	Yes, https://www.schaeffler.com/content.schaeffler.com/en/strategy/strategy_mobility_for_tomorrow/strategy_mobility_for_tomorrow.jsp
3	Does the Company identify and assess potential environmental risks? Y/N	Yes As per ISO14001 Aspect and Impact Study After identifications of the aspects, they are evaluated for their significance by calculating their severity on the impact. The aspects are identified, which have environmental impact as defined by the statutory bodies are to be directly taken as significant aspects. Also, conservation of natural and manmade resources is to be taken as significant aspects. All significant aspects shall be included in establishing the implementation strategy of environmental management system, including Objectives & Targets, Environmental programmes, Procedures, etc. One of the primary objectives of environmental protection is to prevent adverse effects on the environment and to minimise the effects that cannot be controlled. To achieve this objective many measures have been implemented. The environmental effects caused at the location are evaluated on a regular basis.
4	Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?	The Company has its EHS goals at least one CO ₂ neutral plant in a region by 2020. To achieve this we have defined 3 scopes; <ul style="list-style-type: none"> scope 1: CO₂ coming from internal burning processes of any material like natural gas, diesel oil, propane, etc. scope 2: CO₂ coming from external supply, e.g. power supply, etc. scope 3: CO₂ coming from non-direct production related sources like logistic, employee travel, canteen services, raw material supply, etc. Scope 1 will be achieved by the energy conservation projects such as eliminating the losses, heat recovery, usage of the energy efficient equipment's etc. Scope 2 will be achieved by converting the 50% electricity into renewable energy etc.

Business Responsibility Report

Principle 6 Continued

5	Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.	<p>Yes, the Company has taken several initiatives</p> <p>The Company’s Pune location has installed solar panels on the rooftop of newly constructed manufacturing hall in 2018. This initiative will extend to all future expansion projects.</p> <p>EnEFFPro (Energy Efficiency Project) workshops –</p> <p>Arresting the compressed air leakages during off days.</p> <p>Pull chord light switches</p> <p>Changed all conventional bulbs of 250w to 80w LED high bay lights etc.</p>
6	Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB / SPCB for the financial year being reported?	<p>Yes</p> <p>The Company has established compliance management system to monitor the legal requirements defined by CPCB and SPCP this helps company to perform within the limits.</p> <p>For e.g. regular monitoring of the workplace air quality and ambient air quality are done to check the performance.</p>
7	Number of show cause/legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.	<p>No show cause/legal notices received by the Company in the financial year.</p> <p>The Company has established compliance management system to monitor the legal requirements.</p>

Principle 7

1	Is your Company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:	<p>Yes, Confederation of Indian Industry, Indo German Chamber of Commerce, Federation of Gujarat Industry, Economic Times India Leadership Council, Federation of Gujarat Industries. Auto Component Manufacturers' Association.</p>
2	Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others).	<p>Through the membership of the trade associations, the Company has advocated on the topics of skill development, education and training and related technology areas such as E-mobility, energy consumption reduction.</p>

Principle 8		
1	Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.	Yes, our project details are available in the Global Sustainability Report.
2	Are the programmes/ projects undertaken through in-house team/ own foundation/ external NGO/ government structures/ any other organisation ?	Some programmes are undertaken through inhouse teams and others in partnership with NGOs and implementing agencies.
3	Have you done any impact assessment of your initiative?	Yes
4	What is your Company's direct contribution to community development projects- Amount in ₹ and the details of the projects undertaken.	
5	Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.	The details of contributions made by the Company for community development are provided in the CSR report of the Company.
Principle 9		
1	What percentage of customer complaints/ consumer cases are pending as on the end of financial year.	There are no consumer cases pending as on end of financial year.
2	Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/ N.A./Remarks (additional information).	No
3	Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.	No
4	Did your Company carry out any consumer survey/consumer satisfaction trends?	Yes

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 57th Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2019.

Financial Highlights

Particulars	₹ in million)	
	2019	2018
REVENUES	43,606.3	45,615.1
EBITDA*	6,460.8	7,585.4
Less: Depreciation	1,587.1	1,485.0
Less: Finance cost	34.7	70.4
Add: Interest Income	507.2	719.0
PROFIT BEFORE TAX (before exceptional items)	5,346.2	6,749.0
Provision for Tax	1,666.4	2,119.0
PROFIT AFTER TAX	3,676.4	4,198.0

* Earnings before Interest, Tax, Depreciation and Amortization

Financial and Operational Performance

Performance of the Company and State of Company's Affairs

Your Company's Revenues was at ₹ 43,606.3 million in year 2019 (Year 2018: ₹ 45,615.1 million) which is marginally lower by 4.4%. Profit before tax (before exceptional items) was placed at ₹ 5,346.2 million (Year 2018: ₹ 6,749.0 million) down by 20.8%. Your Company recorded profit after tax of ₹ 3,676.4 million (Year 2018: ₹ 4,198.0 million) which represent a decline of 12.4%.

Outlook

IMF expects global economy to grow and reach levels of 3.3% in 2020 and 3.4% in 2021. Easing monetary policy, stronger cross-border cooperation and implementation of supportive fiscal policies aimed at boosting demand could drive improvement in global activity.

India Outlook

India's GDP is estimated to touch 11 - year lows of 5.0% in 2019-20 (Source: National Statistical Office). This slowdown is a combined outcome factors such as deceleration in consumption, subdued investments, sluggish growth in manufacturing sector and declining credit growth.

Dividend and Transfer to Reserves

Your Company has a steady dividend payment history and considering the financial performance of the year 2019, your Directors recommend dividend for the year ended December 31, 2019 at the rate of ₹ 35/- (2018: ₹ 30/- including a one time special dividend of ₹ 10/-) per equity share amounting to ₹ 1,094.1 million (2018: ₹ 937.8 million). Considering sufficiency of balance, your Directors do not

propose to transfer any amount to General Reserves 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, detailed review of operations, performance and future outlook of the Company is covered under Management Discussion & Analysis section of the Annual Report.

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, the Company's Secretarial Auditors confirming the compliance of conditions on Corporate Governance is annexed thereto.

Directors

Mr. Dharmesh Arora [DIN: 05350121] has resigned from the position of Managing Director of the Company effective September 30, 2019. However, he continues to be Non-executive Director, liable to retire by rotation effective October 1, 2019. Your Directors express their gratitude for the contribution made by Mr. Arora during his tenure as Managing Director.

Mr. Harsha Kadam [DIN: 07736005] has been appointed as an Additional Director and Managing Director with effect from October 1, 2019. Mr. Arvind Balaji [DIN: 00557711] has been appointed as an Additional Director (Independent Director) effective November 6, 2019 and Mr. Amit Kalyani [DIN: 00089430] has been appointed as an Additional Director (Independent Director) effective February 11, 2020.

Your Company has received notices for their candidature for the office of Director(s) under Section 160 of the Companies Act, 2013. The Nomination and Remuneration Committee and the Board of Directors recommend their appointment as Directors of the Company. Mr. Harsha Kadam shall not be liable to retire by rotation by virtue of his employment agreement with the Company. Mr. Arvind Balaji and Mr. Amit Kalyani have been appointed as Independent Directors for a term of five years and therefore, they are not liable to retire by rotation.

Further, Mrs. Renu Challu [DIN: 00157204] has been reappointed for second term of five years as an Independent Director effective November 6, 2019.

The Company has received the approval on March 24, 2019, by way of Postal Ballot, for continuation of Directorship of Mr. Avinash Gandhi [DIN: 00161107] aged 80 years, as Non-executive Independent Director of the Company from April 1, 2019 till the conclusion of his present tenure as an Independent Director that is up to February 6, 2023.

Mr. Satish Patel [DIN: 00690869] has been appointed as an Additional Director and Whole-time Director, designated as Director-Finance & CFO effective February 13, 2019 for a period of five years upto February 12, 2024 at the 56th AGM held on April 30, 2019, liable to retire by rotation.

Dr. Sanak Mishra [DIN: 00027288] and Mr. Rakesh Jinsi [DIN: 00182187] completed their term of appointment as Independent Directors on November 5, 2019 and February 10, 2020, respectively. Your Directors express their gratitude for the contribution made by Dr. Mishra and Mr. Jinsi during their tenure as Independent Directors.

Mr. Marcus Eisenhuth [DIN: 07904850] resigned from the Directorship effective February 14, 2019. Your Directors express their gratitude for the contribution made by Mr. Eisenhuth during his tenure as Director.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. R. Sampath Kumar [DIN: 00495192] and Mr. Jürgen Ziegler [DIN: 07092477] will retire by rotation at the ensuing Annual General Meeting ('AGM') and being eligible offer themselves for reappointment.

A brief resume of the Directors seeking appointment or reappointment at the ensuing Annual General Meeting, nature of their expertise in specific functional areas and details regarding the companies in which they hold directorship, membership/chairmanship of committees of the Board is annexed to the Notice convening 57th 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. Harsha Kadam
2. Director-Finance & Chief Financial Officer: Mr. Satish Patel
3. Company Secretary: Mr. Chirag K. Shukla

During the year, Mr. Dharmesh Arora has resigned as Managing Director of the Company effective from September 30, 2019 and Mr. Harsha Kadam has been appointed as Managing Director of the Company effective October 1, 2019.

Mr. Chirag K. Shukla has resigned from the position of the Company Secretary effective February 28, 2020 and Mr. Ashish Tiwari, VP - Legal has been appointed as the Company Secretary of the Company effective February 29, 2020.

Based on the declarations received from the Independent Directors, your Board of Directors confirm the independence, integrity, expertise and experience (including the proficiency) of the Independent Directors of the Company.

However, as per regulatory requirements, time limit to pass the online proficiency self-assessment test is upto one year from the date of inclusion of an Independent Director's name in Databank for Independent Directors.

Meetings of Board of Directors

During the year under review, four meetings of the Board of Directors were held on February 13, 2019, April 30, 2019, July 23, 2019 and October 21, 2019. The details of attendance of each Director at these meetings are provided in the Corporate Governance Report.

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.

Nomination and Appointment of Directors and Senior Management

Criteria and Qualification

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. The Nomination and Remuneration Committee (NRC) evaluates whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position and makes appropriate recommendations to the Board of Directors.

Directors' Report

Policy on Remuneration

1. The remuneration (including revisions) of Directors is recommended by NRC to the Board for its approval. The remuneration (including revisions) of the Directors, so recommended by NRC to the Board, should be within the limits specified 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. While determining remuneration of 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.

The Nomination and Remuneration Policy of the Company is disclosed on the website at https://www.schaeffler.co.in/remotemedien/media/_shared_media_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/nomination_and_remuneration_policy_schaeffler_india.pdf

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 understanding of Board dynamics, board-management relations and thinking as a group within the board.

Methodology

The evaluation is done as per the process and criteria of performance evaluation recommended by the Nomination and Remuneration Committee (NRC) and approved by the Board of Directors. Separate evaluation questionnaire for each category of evaluation viz. the Board of Directors, Non-independent Directors, Independent Directors and Committees of the Board are prescribed under the process and criteria so approved by the Board. The NRC has reviewed the implementation and compliance of the process of performance evaluation.

Process

Separate sets of questions (questionnaire) for each of the evaluations i.e. for evaluation of (a) Board; (b) Each of the Committees of the Board; (c) Independent Director; (d) Non-Independent Director and (e) Chairman of the Board, are defined in the Policy for Performance Evaluation.

The questionnaire for each category of evaluation are circulated to all the Directors. Each question has four rating

options i.e. 1 to 4. 1 denotes 'Need Improvement', 2: 'Fair', 3: 'Good' and 4: 'Excellent'.

The ratings of every question are averaged ('averaged ratings') based on feedbacks received from each Director. Further, average of all 'averaged ratings' are considered as the rating for a particular questionnaire. Based on the outcomes of questionnaire, the NRC carries out evaluation of all the Directors including Independent Directors and the Board carries out the evaluation of its own performance, each of the Committees and that of all Directors.

For the year 2019, the Board has carried out an annual performance evaluation of its own and that of each of the Committees and all Directors. Further, the NRC has also carried out evaluation of all the Directors including Independent Directors.

Conclusion

The evaluation for the year 2019 of Directors, each of the Committees and that of the Board have received ratings near excellent.

The Board has taken note of the feedback received from Directors to further improve the performance of the Directors, the Board itself and Committees of the Board.

Separate Meeting of Independent Directors

As per provisions of Schedule IV to the Companies Act, 2013, the Independent Directors are required to hold at least one meeting in a financial year, without the attendance of Non-independent directors and members of management. During the financial year 2019, the Independent Directors have held one separate meeting on October 20, 2019.

Independent Directors' Declaration

The Independent Directors have given declarations that they meet the criteria of independence as per the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

Audit Committee

The Audit Committee consists of six Directors including Four Independent Directors. Mrs. Renu Challu is the Chairperson of the Committee. The other members of the Audit Committee are Mr. Avinash Gandhi, Mr. Arvind Balaji, Mr. Amit Kalyani, Mr. Jürgen Ziegler and Mr. Satish Patel. The Committee met five times during the year. 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.

There was no instance where the recommendation by the Committee was not accepted by the Board.

Whistle-Blower Policy / Vigil Mechanism

Your Company has a well defined 'Whistle-Blower Policy' and established Vigil Mechanism to provide for adequate safeguard against victimisation of Directors and employees who follow such mechanism. The mechanism also provides 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_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/vigil_mechanism_or_whistle_blower__policy_schaeffler_india_2019.pdf

Risk Management

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.

For details you may also refer the Risk Management Section of the Annual Report.

Constitution of Risk Management Committee

The Board of Directors of the Company has constituted the Risk Management Committee which comprises of Mr. Dharmesh Arora, as Chairman, Mr. Harsha Kadam, Mr. Satish Patel, Mr. Sameer Mathur (Chief Operating Officer) and Mr. Santanu Ghoshal (Head of Human Resources) as Members.

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 at the 52nd Annual General Meeting of the Company held on April 24, 2015 for a period of five consecutive years. They complete their term of five consecutive years at the conclusion of the ensuing Annual General Meeting ('AGM'). As per provisions of Section 139 of the Companies Act, 2013 read with rules made thereunder, they are eligible for appointment as Statutory Auditors for one year from conclusion of the ensuing AGM. The Board of Directors of your Company, has on the basis of recommendation of the Audit Committee, recommended their appointment for a period of one year from the conclusion of the 57th AGM of the Company up to conclusion of the 58th AGM.

The details as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including the credentials of the firm and fees proposed to be paid to them for their period of appointment are provided in the Notice convening the 57th AGM.

There is no qualification, reservation, adverse remark or disclaimer by the Statutory Auditors in their Report. The observations made in the Auditor's Report, read together with relevant notes thereon, are self-explanatory and hence do not call for any comments.

Reporting of Fraud

The Auditor of the Company have not reported any instances of fraud committed against the Company by its officers or employees as specified under Section 143(12) of the Companies Act, 2013.

Secretarial Auditors

M/s. Samdani Kabra & Associates, a firm of Company Secretaries in Practice was appointed as 'Secretarial Auditors' to carry out Secretarial Audit of the Company. In terms of provisions of Section 204 of the Companies Act, 2013, and in terms of regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI's circular CIR/CFD/CMD1/27/2019 dated February 8, 2019, a Secretarial Audit Report has been annexed to this Report. (Annexure-A)

There is no qualification, reservation, adverse remark or disclaimer by the Secretarial Auditors in their Secretarial Audit Report.

Cost Records and Cost Audit

Maintenance of Cost Records

The Company is required to maintain cost records under Companies (Cost Records and Audit) Rules, 2014. Accordingly, cost records have been maintained by the Company.

Cost Audit

M/s. Y. S. Thakar & Co., Cost Accountants, as Cost Auditors were appointed to conduct the audit of the cost records of the Company for the financial year ended December 31, 2019. Based upon the declaration on their eligibility, consent and terms of engagement, your Directors have reappointed M/s. Y. S. Thakar & Co., Cost Accountants to conduct Audit of Cost records for the financial year 2020.

As required under the provisions of the Companies Act, 2013, the remuneration of Cost Auditors as approved by the Board of Directors is subject to ratification by the shareholders at the ensuing Annual General Meeting.

Corporate Social Responsibility (CSR)

Being a responsible Corporate Citizen, your Company is committed in fulfilling its Social Responsibility. Guided by the prevailing regulatory requirements, the Company has constituted a 'Corporate Social Responsibility (CSR) Committee' and framed a Policy on CSR. The policy is available on the website of the Company at <https://www.schaeffler>.

Directors' Report

co.in/remotemedien/media/_shared_media_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/policy_on_corporate_social_responsibility_schaeffler_india.pdf

A summary of CSR Policy together with details of CSR activities undertaken by the Company during the year 2019 have been covered in the Annual Report on CSR activities, which is annexed to this report. (Annexure-B)

Contracts and Arrangements with Related Parties

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.

Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseeable and repetitive nature. The details of all transactions executed with Related Parties are placed before the Audit Committee on a quarterly basis for its review or ratification as the case may be and are also placed before the Board for its information.

The Related Party Transaction Policy of the Company is available on the website of the Company at https://www.schaeffler.co.in/remotemedien/media/_shared_media_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/policy_on_related_party_transactions_schaeffler_india.pdf

A separate report containing details of Material Related Party Transactions carried out during the year is annexed to this report in prescribed form AOC-2. (Annexure-C)

Particulars of Employees and Related Disclosures

The disclosures pertaining to remuneration and other details of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1), 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Directors' Report Rules, 2014, have been annexed to this Report. (Annexure – D)

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 – E)

Annual Return and Extract of Annual Return

As per provisions of Section 92(3) of the Companies Act, 2013 and rules made thereunder, an Extract of Annual Return in the form MGT-9 has been annexed to this Report. (Annexure - F)

A copy of Annual Return of the Company for the financial year 2018 in the form MGT-7 has also been placed on the website of the Company at https://www.schaeffler.co.in/remotemedien/media/_shared_media_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/shareholders_information/annual_return/2018_Annual__Return.pdf

Particulars of Loans Given, Investments Made, Guarantees Given and Securities Provided

The particulars of loans given and Investments made have been disclosed in notes to the Financial Statements. There were no financial guarantee or security provided by the Company.

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. The Policy is available on the website of the Company www.schaeffler.co.in

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.

Status of complaints during the year 2019

There were no complaints pending at the beginning of the year 2019 and the Company received one complaint during the year 2019 which was resolved.

Directors' Responsibility Statement

Pursuant to the requirements 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 Indian Accounting Standards (Ind AS) 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 judgements 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, 2019 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.

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 during the financial year ended December 31, 2019, the Company has sound internal financial controls commensurate with the nature and size of the business operations and are adequate and operating effectively with no material weakness.

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 2019 up to the date of this report.

There has been no change in the nature of business carried on by the Company.

Pune: February 12, 2020

Note: Members are requested to refer AGM notice for the directors who are liable to retire by rotation.

Compliance of Secretarial Standards

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2).

Deposit

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

Subsidiaries, Joint Ventures and Associates

The Company does not have any Subsidiary Company, Joint Venture or Associate Companies as defined in the Companies Act, 2013.

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.

Acknowledgements

Your Directors express their gratitude for the continued cooperation and support extended by Schaeffler Group, all the Shareholders, Customers, Suppliers, Distributors, Bankers and all stakeholders. Your Directors also place on record their appreciation for the employees for their dedication, hard work and efforts.

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

Secretarial Audit Report

For the Financial Year ended December 31, 2019

(Annexure - A 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
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 authorised 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, 2019, 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, 2019, 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 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, 2018;
- 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, 2018.

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 on Meetings of Board of Directors and General Meetings; 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.

We further report that:

- A. 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.
- B. 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.
- C. 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.
- D. There are adequate systems and processes in place, whereby the Company ensures and monitor compliances of applicable laws, rules, regulations and guidelines.
- E. The Compliance Management Tool/System' is adequate, commensurate with the size and operations of the Company and operating effectively.
- F. During the audit period, there were no specific instances/ actions in pursuance of the above referred laws, rules, regulations, guidelines etc., having a major bearing on the Company's affairs.

Vadodara: February 12, 2020

Suresh Kumar Kabra
Partner
ACS/CP No. 9711/9927
Samdani Kabra & Associates
Company Secretaries
UDIN: A009711B000137938

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.

- i. Maintenance of Secretarial records and compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management of the Company. Our examination was limited to the verification and audit of procedures and records on test basis. Our responsibility is to express an opinion on these secretarial records and compliances based on such verification and audit.
- ii. 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.
- iii. Wherever required, we have obtained the management representation about the Compliance of laws, rules and regulations and happening of events etc.
- iv. 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 12, 2020

Suresh Kumar Kabra
Partner
ACS No. 9711, CP No. 9927
Samdani Kabra & Associates
Company Secretaries
UDIN: A009711B000137938

Annual Report on Corporate Social Responsibility Activities

(Annexure - B to the Directors' Report)

1. Brief outline of Company's CSR Policy:

At Schaeffler India, 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 industrial and automotive supplier 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-realisation. We constantly strive to contribute in our humble way to the motto 'सर्वे भवन्तु सुखिन' – (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") as 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 made available at below link:

https://www.schaeffler.co.in/remotemedien/media/_shared_media_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/policy_on_corporate_social_responsibility_schaeffler_india.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 marginalised 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 like-minded 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.

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

2. Composition of the CSR Committee:

The Committee comprises of the following members:

Sr. No.	Name of the Directors	Role in the Committee	Category
1	Mr. Arvind Balaji ¹	Chairman	Non-Executive & Independent
2	Mr. Harsha Kadam ¹	Member	Executive & Non-Independent
3	Mr. Amit Kalyani ²	Member	Non-Executive & Independent

1 Effective November 6, 2019, Mrs. Renu Challu and Mr. Dharmesh Arora ceased to be a member of the CSR Committee and Mr. Arvind Balaji has been appointed as a Chairman and Mr. Harsha Kadam has been appointed as a member of the CSR Committee.

2 Effective February 11, 2020, Mr. Rakesh Jinsi ceased to be a member of the CSR Committee and Mr. Amit Kalyani has been appointed as a member of the CSR Committee.

3. Average net profit for past three financial years: ₹ 4,455 million

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above):

₹ 89.1 million

5. Details of CSR Spent during the Financial Year:

(A) Total amount to be spent for the Financial Year: ₹ 92.7 million

(B) Amount unspent, if any: Nil

(C) Manner in which the amount was spent during the financial year is detailed in this report.

6. Reasons for the amount unspent:

Not Applicable

Details of the CSR Initiatives and Projects:

Introduction:

In our thrust for inclusive growth, Schaeffler India, continue to invest on social and community projects to create a better future for tomorrow's generation. We aspire to uplift all sections of society through inclusive development and are committed towards Schaeffler groups Sustainability objective.

Our CSR initiatives aim to create a positive impact within communities through deeper engagements. We invested a total of ₹ 92.7 million towards various social interventions in

**Annual Report on Corporate Social Responsibility Activities
(Annexure - B to the Directors' Report)**

financial year 2019 with a focus on Education, Skill Training, Health & Environment.

The learning process never ends when you want to give back to the society even in a small way. That is the lesson we as part of our "HOPE" initiative have learnt over the last year. And what a rewarding experience it has been!

The year 2019 marked the fifth year of operation as part of our "HOPE" CSR initiative. It also heralded a new phase as part of our initiatives and projects – *a phase of consolidation and conceptualisation for further growth and sustainability.*

In order to streamline its developmental initiatives, Schaeffler India has identified the following focus areas:

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

As stated in its CSR Policy, the Company focuses on these areas through direct engagement and partnering with organisations having relevant expertise and experience. Schaeffler India aims to scale up further for better reach, more effective engagement and greater impact.

We have been very selective in our engagement with programmes that are sustainable and making true impact on the deserving sections of the society and programmes that empowers underprivileged to get back to mainstream. In all our projects, there is an undertone of supporting gender diversity. The results have been rewarding and motivates us further to create a better world for tomorrow.

Sr. No.	Thematic Area	Location
A Health		
1	Mobile Health Unit (Savli, Maneja)	Vadodara
2	Mobile Health Unit (Talegaon)	Pune
B Occupational Skills		
1	Nitara Beauty Academy & Salon	Vadodara
2	Schaeffler Technical Enhancement Program (STEP)	Pune
3	Schaeffler Technical Enhancement programmes (STEP)	Hosur
C Preservation of National Heritage, Art & Culture		
1	Quest on Wheels	Vadodara
D Empowerment of Society		

Sr. No.	Thematic Area	Location
1	Construction & Management support to Lok Vidhyalaya School	Vadodara
2	Infrastructure & Education support to Mook Dhvani School for speech and hearing impaired	Vadodara
3	Infrastructure support to Zilla Parishad School in Koitewasti village, Talegaon	Pune
4	Schaeffler India HOPE Engineering Scholarship Program	Gujarat/ Maharashtra/ Tamil Nadu
5	Jal Sahara	Pune

Operational Highlights of the CSR Initiatives during 2019:

A. Health Care: Mobi-Health Units

- Over 3 Lakh health consultations provided to patients through Schaeffler India managed three Mobile Healthcare Units covering 49 villages in Vadodara, Gujarat (Over 256,238 beneficiaries since inception i.e. February 2014 – October 2019 (Savli) and June 2016 – October 2019 (Maneja)) and 29 villages in Talegaon, Pune (Over 51,156 beneficiaries since inception i.e. June 2017 – October 2019).
- Over 3,330 adolescent girls were screened for anemia of which 2,312 adolescent girls were diagnosed and received treatment for it. A total of 677 adolescent girls were treated completely. (Over 2,955 adolescent girls screened of which more than 2,067 women received follow-up treatment since inception i.e. February 2016 – October 2019 (Savli) and June 2017 – October 2019 (Maneja)). A total of 668 adolescent girls were treated completely since inception in (Savli & Maneja) location. Whereas at Pune location over 375 adolescent girls screened of which more than 245 adolescent girls received follow-up treatment since inception i.e. April - October 2019. A total of 9 adolescent girls were treated completely since inception at Pune location.
- Over 4,993 children were screened for malnutrition and of these more than 3,350 children were found malnourished and followed up for treatment. A total of 482 children were treated completely. (Over 4,554 children screened, and more than 3,334 children were received follow-up treatment since inception i.e. February 2016 – October 2019 (Savli) and June 2017 – October 2019 (Maneja)).

- Over 1,505 beneficiaries covered under special health camps undertaken in last one year covering issues related to Gynecology, Pediatrician, Ophthalmology, Oral and Dermatology.

B. Occupational Skill for Employability:

I. Nitara Project:

Nitara is a one of a kind livelihood training programmes for differently-abled girls from socially and economically disadvantaged communities. With almost 80% placement record, the beauty & wellness Academy trained & provided livelihood to 128 beneficiaries till date out of 155 beneficiaries trained.

In financial year 2019, Nitara also introduced comprehensive courses taught by industry professionals and trained 8 beneficiaries on paid model. Through this programme that aims to build leadership, teamwork and self-reliance, we are not only making a brighter future possible but also creating a positive ripple effect on them.

In 2019, we started making progress to make this project stand on their feet. With continuous coaching and support from our team, they started their commercial operations. We are making baby steps towards making this a self-sustained project.

II. STEP – Schaeffler Technical Enhancement Program in collaboration with Don Bosco Technical Training Institute in Pune:

Under the STEP umbrella, Schaeffler India has partnered with Don Bosco Technical Institute at both their locations viz. Chakan & Chinchwad respectively in Pune.

During 2019 at Chakan center, Schaeffler India has set up 3 technical labs viz. CNC Programming, CNC Simulation, Hydraulic and Pneumatic lab. Till date, 81 students (72 boys & 9 girls) from the adjoining areas of Chakan have been trained on CNC course in three batches. Students are recommended and screened by recognised social workers from Don Bosco to ascertain the family background of the student. Students have been awarded with NSDC certificates after successful completion of their CNC training course. Total 20 organisations in Chakan industrial belt, has recruited 64 boys and 9 girls (which is a remarkable 90% placement) during the year 2019.

Taking note from this successful venture with Chakan center, Schaeffler India inaugurated Autotronics Lab in their Chinchwad center in June 2019. In the first batch of six months, 19 students (17 boys & 2 girls) is already under training and will soon resume on the job training with various placement partners like Volkswagen, Vidyut Motors etc.

This skill training initiative is a very successful example of social transformation whereby the efforts has directly contributed to bring the underprivileged boys and girls into mainstream.

III. STEP – Schaeffler Technical Enhancement Program in collaboration with Skill Sonics in Hosur:

Under the HOPE initiative, Schaeffler India, Hosur set up a STEP center in Hosur with following objectives:

- To empower youth by imparting industry aligned skills i.e. CNC Machinist & Mechatronics.
- To develop a cadre of skilled workforce who can be readily employable across various industries.

The center was inaugurated on May 31, 2019 offering two vocational skills i.e. CNC Machinist & Mechatronics. During 2019 being the first implementation year approx. 150 students have been trained coming from the adjoining communities. Special emphasis is on mobilising more female students considering lack of opportunities and lower participation rate. The qualifying students will be awarded with NSDC certificate after successful completion of their course.

C. Preservation of National Heritage, Art & Culture

I. Quest on Wheels:

Every citizen of India must know our motherlands glorious heritage and exciting prospects. To reinforce student's classroom learning, this project aims to give the students a hands-on experience. We provide them guided tour to museums, palaces, ISRO exhibition center in and around Vadodara.

Over 290 trips conducted since 2016 till 2019 covering approx. 12000 beneficiaries including students from Government School, children from shelter homes, differently abled children and senior citizens.

D. Empowerment of Society

Education is the foundation of our society. This is one of our focus areas, since we started our journey in community development. We have a focussed development approach towards creating educational infrastructure – both physical and intellectual. We work with children and their parents from underprivileged society to create awareness. All the three schools which we have adopted have made significant improvement in development index – retention of students and their academic performance. We believe in inclusive approach. Therefore, we work with local administration and village elders to ensure they become our partner in our effort. The journey has been very satisfying, and we continue to stay focussed.

Annual Report on Corporate Social Responsibility Activities (Annexure - B to the Directors' Report)

I. Construction and Management support to Lok Vidhyalaya School:

The school has added Primary section from classes 1st to 5th on highly subsidised fees model in this year. With this the school is running full-fledged except Std. 6th-8th. We applied to Education Department, Government of Gujarat for initiating Primary standard from classes 6th to 8th for the academic year June 2020. We are making very good progress in making this school as benchmark one in this region.

We also have been contributing significantly to revamp the physical infrastructure. This year, we inaugurated a state-of-the-art girl's hostel, which can accommodate 50 students. Besides that, construction of boy's hostel with a capacity of 150 students is also underway. This should be ready by 2020. We are continuously engaged with the villages and government machinery to get them onboard in all our effort.

Under the initiative 371 underprivileged and tribal students enrolled to the School during the academic year starting June 2019. Remedial classes for Standard 9th based on the diagnostic test conducted for all the newly enrolled students. Extra classes prior to School hours for Standard 10th & 12th pertaining to preparation for Board Exam. We maintain a very healthy student retention rate of 90%. The male female ratio in School is over 60:40. Secondary and Higher Secondary passing rate has doubled in last few years.

II. Infrastructural and Educational support to Mook Dhvani School for speech and hearing impaired children:

This is a special initiative to support speech and hearing-impaired students. This is one of our very first initiatives which we got engaged in. We continue to support them by providing financial support for running their operations and sundry infrastructural support. Strength of the School increased to 233 students for the academic year 2019.

We Initiated commerce stream for classes 11th & 12th in addition to Arts stream for better opportunities to students after completing 12th Standard. We also supported them in renovation of the washroom facilities of the entire three storey School building with proper sanitation facilities for both girls and boys.

We appointed expert teachers for Mathematics and Science and continue to train the existing teaching staff to improve teaching quality. We also facilitated pre-primary & primary students with Montessori style teaching aid for activity-based learning. We conducted exposure visits for the students at ISRO Ahmedabad.

Encouraged parent support groups by conducting meets & workshops once a year.

Conducted Audiometric tests of all the students from professional Audiologists and further enabled students with customised siemens make digital hearing aid with proper consultation.

III. Infrastructure support to Koitewasti School in Talegaon in Pune

This one is a huge success story. Schaeffler India started engagement with this Zilla Parishad School in Koitewasti village (very near to our Talegaon plant in Pune) in 2017. Villagers requested us to support this school. Since then Schaeffler India constructed six classrooms with proper sanitation facilities and provision of clean drinking water. Government education department came forward with further sanction of two new teachers. Today the school's intake has increase 5 times. Initial student strength of 38 has come to 135. So much so, today, students from private schools around the village community are looking for admission for their kids in this school.

IV. Schaeffler India HOPE Engineering Scholarship Programme: Empowering the Engineers for the future

Schaeffler is a technology company. We believe, we have a responsibility to contribute towards talent pool for both automobile and engineering companies. In this endeavour, we started focussing on encouraging underprivileged and deserving candidates with a special focus on girls, to study core engineering subjects.

As a responsible corporate citizen, we launched Schaeffler Scholarship program 2019 is a CSR initiative aimed at helping the needy and deserving youth especially young women to make a career in the field of science & engineering. Only students who have passed class 12th (Science Stream) with a minimum of 60% shall be offered scholarships on yearly basis to fulfil their educational needs.

For the year 2019, being the launch year, 1,729 applications were received out of which 164 were selected for final interview round and finally 32 Scholars respectively from Gujarat, Maharashtra & Tamil Nadu have been provided with Scholarship support to pursue further higher education.

V. Jal Sahara:

Water conservation is one of the key issues which India is facing, and our rural belt and agricultural productivity is badly hit by low awareness. Schaeffler India is committed towards sustainability. We have taken up this project along with BAIF.

Under the initiative, Schaeffler India had adopted Tadwale village in Koregaon block, Satara district due to drought prone area, uncertainty of rainfall, drinking water scarcity, no water efficient methods to reduce water usage, reduction in agriculture production, high rate of migration etc.

Hence, the objective is to address the issue of water scarcity through watershed management approach and generation of livelihood activities for sustainable livelihood development. The duration of the project is a long-term 3-year project. The project is going to impact 440 households with total population of 2,168.

Manner in which the amount was spent during the financial year is detailed below:

							(₹ in million)
Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects/ Programmes (1) Local Area/ Other (2) Specify the state and district where projects or programmes was undertaken	Amount Outlay (Budget) Project or Programme-wise	Amount Spent on the Projects or programmes Sub-heads: (1)Direct Expenditure on Projects or Programmes (2)Overheads	Cumulative Expenditure upto the reporting period	Amount Spent: Direct or through implementing agency
1	Mobi-Health Unit	Health Care	Vadodara, Gujarat	7.2	9.6 0.5 10.1	41.7	Deepak Foundation
2	Lok Vidhyalaya: Construction of secondary School & providing holistic quality educational support	Education	Vadodara, Gujarat	5.0	6.4 0.3 6.7	101.1	Direct Implementation
3	Nitara project: Promoting livelihood for differently-abled	Skill Training & Development	Vadodara, Gujarat	4.5	4.1 0.2 4.3	25.9	LabourNet
4	Construction of Girls Hostel	Education	Vadodara, Gujarat	9.1	11.7 0.6 12.3	16.2	Direct Implementation
5	Quest on wheels: Heritage & Educational Trips	Art, Heritage & Culture	Vadodara, Gujarat	3.3	3.3 0.2 3.5	18.5	Creations
6	Construction of Boys Hostel	Education	Vadodara, Gujarat	8.1	7.1 0.3 7.4	7.4	Direct Implementation
7	Support to Mook Dhvani School	Special Education	Karelibaug Vadodara, Gujarat	2.3	4.6 0.2 4.8	9.9	Direct Implementation
8	Clean & Green Maneja	Community Development	Vadodara, Gujarat	8.5	7.3 0.3 7.6	7.6	Direct Implementation
9	Jal Sahara	Rural Development	Pune, Maharashtra	5.0	2.6 0.1 2.7	2.7	BAIF

**Annual Report on Corporate Social Responsibility Activities
(Annexure - B to the Directors' Report)**

(₹ in million)

Sr. No.	CSR Project or activity identified	Sector in which the project is covered	Projects/ Programmes (1) Local Area/ Other (2) Specify the state and district where projects or programmes was undertaken	Amount Outlay (Budget) Project or Programme-wise	Amount Spent on the Projects or programmes Sub-heads: (1)Direct Expenditure on Projects or Programmes (2)Overheads	Cumulative Expenditure upto the reporting period	Amount Spent: Direct or through implementing agency
10	STEP Autotronic Center	Skill Training & Development	Pune, Maharashtra	-	0.4 0.0 0.4	17.1	Don Bosco
11	Mobile Health Unit	Health Care	Pune, Maharashtra	4.0	2.4 0.1 2.5	4.7	Deepak Foundation
12	Schaeffler Engineering Scholarship	Education	Gujarat, Maharashtra & Tamil Nadu	4.0	3.0 0.1 3.1	3.1	Buddy4study India Foundation
13	Infrastructure support to Zilla Parishad School in Koitewasti village, Talegaon in Pune	Education	Pune, Maharashtra	2.1	2.0 0.1 2.1	2.1	Direct Implementation
14	Mechatronics Skill Development Center	Skill Training & Development	Hosur, Tamil Nadu	26.0	24.0 1.1 25.2	25.2	Skill Sonics
Total				89.1	92.7	283.3	

7. 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

Arvind Balaji
Chairman of CSR Committee
(DIN: 00557711)

Harsha Kadam
Managing Director
(DIN: 07736005)

Pune: February 12, 2020

Report on Related Party Transactions: Form AOC-2

(Annexure - C 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, Fellow Subsidiary		
Nature of contracts/ arrangements/ transactions	Sale, Purchase or Supply of Goods, Materials and Services including Sale and Purchase of tangible fixed assets		
	Summary of Transactions carried out with Schaeffler Technologies AG & Co. KG	2019 (₹ in million)	
		Actual	Cumulative
	1 Purchase of Finished Goods	5,925.1	
	2 Purchase of Raw materials and Components and Spares	2,330.0	
	3 Fees for use of technology/trademark	807.6	
	4 Purchase of tangible assets	358.0	
	5 SAP, other IT systems and connectivity cost	305.0	
	6 Expat Cost	8.9	11,026.7
	7 Travelling, Training, Testing, Support Fee & Other Cost	76.6	
	8 Sale of Finished Goods	1,176.8	
	9 Service Income received	18.1	
	10 Reimbursement of Expenses	20.6	
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	Approval of the Board is not required as transactions with Schaeffler Technologies AG & Co. KG are in the ordinary course of business and at arm's length basis. However, requisite approval of the Audit Committee has been obtained from time to time. The transactions with Schaeffler Technologies AG & Co. KG, being 'material' in nature, have been approved by the Shareholders at their 56 th Annual General Meeting held on April 30, 2019.		
Amount paid as advance, if any	—		

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

Pune: February 12, 2020

Particulars of Employees

(Annexure - D to the Directors' Report)

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

- The Ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year 2019 and percentage increase in remuneration of each director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial year 2019.

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 2019
I Executive Directors				
1	Mr. Dharmesh Arora	Managing Director (up to September 30, 2019)	55.1	17.7
2	Mr. Harsha Kadam	Managing Director (effective October 1, 2019)	24.2	-
3	Mr. Satish Patel	Director – Finance & CFO (effective February 13, 2019) ¹	16.5	-
II Non-executive Directors				
4	Mr. Avinash Gandhi	Chairman & Independent	2.1	23.1
5	Mr. Klaus Rosenfeld	Non-independent	-	-
6	Mr. Jürgen Ziegler	Non-independent	-	-
7	Mr. Marcus Eisenhuth	Non-independent (up to February 13, 2019)	-	-
8	Mr. R. Sampath Kumar	Non-independent	1.4	22.1
9	Mr. Rakesh Jinsi	Independent (up to February 10, 2020)	1.4	22.1
10	Mrs. Renu Challu	Independent	1.4	22.1
11	Dr. Sanak Mishra	Independent (up to November 5, 2019)	1.4	22.1
12	Mr. Arvind Balaji	Independent (effective November 6, 2019)	-	-
III Key Managerial Personnel				
13	Mr. Chirag K. Shukla	Company Secretary	NA	15.54

¹ Mr. Satish Patel has been appointed as Director - Finance & CFO effective February 13, 2019.

- The percentage increase in the median remuneration of employees in the financial year:
The median remuneration of employees of the Company was increased by 9% during 2019.
- The number of permanent employees on the rolls of company as on December 31, 2019: 2846
- 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 percentile increase already made in the salaries of employees other than Managerial Personnel: 8.85 compared to average percentile increase in Managerial Remuneration: 21.5

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.

Information pursuant to rule 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

a) Details of top ten employees in terms of gross remuneration drawn during the year 2019

Sr. No.	Name	Designation	Remuneration for the year 2019 [₹]	Nature of Employment [Contractual/Regular]	Qualifications	Experience (in Completed years)	Date of Commencement of employment with Schaeffler India	Age in years	Last Employment	% of Equity Shares held in the Company
1	Dharmesh Arora	Managing Director & CEO ¹	37,502,860	Contractual	Diploma in Mechanical Engineering, MBA	29	Mar 6 2017	53	General Motors LLC	Nil
2	Harsha Kadam	Managing Director & CEO ²	31,068,528	Regular	B.E. (MECH)	31	Mar 12 2018	54	HSIL Limited	0.00% ³
3	Satish Patel	Director – Finance & CFO ⁴	13,002,648	Regular	M.COM., ACMA	29	Jan 7 1992	56	Elecon Engineering Co. Limited	Nil
4	Santanu Ghoshal	Vice President – HR	12,540,564	Regular	B.E. (MINING ENGG.), PGDPM & IR	26	Sep 1 2010	53	General Motors	Nil
5	Sameer Mathur	Chief Operating Officer	10,635,276	Regular	B.E. (MECH)	28	May 21 1992	52	–	Nil
6	Alok Dave	Vice President – Purchase	9,078,084	Regular	B.E. (MECH), E MBA	34	Nov 7 2011	54	Lear Automotive	Nil
7	Hardevi Vazirani	Vice President – Strategy & Development	8,772,252	Regular	B.COM., DIP. CS,DBM	30	Sep 11 1992	52	Sigma Sysbase Info P. Ltd.	Nil
8	Biswa Mandal	Vice President	8,590,200	Regular	B.E., Ex-MBA	25	Dec 28 2017	52	Mahindra & Mahindra	Nil
9	Debasish Satpathy	Vice President – BD Automotive Aftermarket	8,546,796	Regular	B.E. (Electrical), Diploma in MA	22	Apr 2 2018	47	Product Management Specialist: Schaeffler UK from March 1, 2017 to March 31, 2018	Nil
10	Amitabh Anand	Vice President – Manufacturing	8,441,184	Regular	B.E. MECH, PGDBM	24	Jan 1 2013	47	GKN Sinter Metal Pvt. Ltd.	Nil

1 Effective October 1, 2019, Mr. Dharmesh Arora ceases to be a Managing Director & CEO.

2 Effective October 1, 2019, Mr. Harsha Kadam has been appointed as Managing Director & CEO.

3 Mr. Harsha Kadam holds 25 Equity Shares of the Company.

4 Effective February 13, 2019, Mr. Satish Patel has been appointed as Director - Finance & CFO.

b) Details of every employee, who was employed throughout the financial year, was in receipt of gross remuneration for that year which, in the aggregate, was not less than One crore two lakhs rupees during the year 2019

Sr. No.	Name	Designation	Remuneration for the year 2019 [₹]	Nature of Employment [Contractual/Regular]	Qualifications	Experience (in Completed years)	Date of Commencement of employment with Schaeffler India	Age in years	Last Employment	% of Equity Shares held in the Company
1	Harsha Kadam	Managing Director & CEO ¹	31,068,528	Regular	B.E. (MECH)	31	Mar 12 2018	54	HSIL Limited	0.00% ²
2	Satish Patel	Director – Finance & CFO ³	13,002,648	Regular	M.COM., ACMA	29	Jan 7 1992	56	Elecon Engineering Co. Limited	Nil
3	Santanu Ghoshal	Vice President – Corporate HR	12,540,564	Regular	B.E. (MINING ENGG.), PGDPM & IR	26	Sep 1 2010	53	General Motors	Nil
4	Sameer Mathur	Chief Operating Officer	10,635,276	Regular	B.E.(MECH)	28	May 21 1992	52	–	Nil

1 Effective October 1, 2019, Mr. Harsha Kadam has been appointed as Managing Director & CEO.

2 Mr. Harsha Kadam holds 25 Equity Shares of the Company.

3 Effective February 13, 2019, Mr. Satish Patel has been appointed as Director - Finance & CFO.

Particulars of Employees
(Annexure D to the Directors' Report)

c) Details of every employee, who was employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than Eight lakhs fifty thousand rupees per month during the year 2019

Sr. No.	Name	Designation	Remuneration for the year 2019 [₹]	Nature of Employment [Contractual /Regular]	Qualifications	Experience (in Completed years)	Date of Commence-ment of employment with Schaeffler India	Age in years	Last Employment	% of Equity Shares held in the Company
1	Dharmesh Arora	Managing Director & CEO	37,502,860	Contractual	Diploma in Mechanical Engineering, MBA	29	Mar 6 2017	53	General Motors LLC	Nil
2	Sanjeev Saxena	President – Automotive	5,833,333	Regular	B.E. (MECH)	29	Oct 15 2019	53	Minda Corporation Limited	Nil

d) Details of every employee, who was employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Company during the year 2019

Sr. No.	Name	Designation	Remuneration for the year 2019 [₹]	Nature of Employment [Contractual /Regular]	Qualifications	Experience (in Completed years)	Date of Commence-ment of employment with Schaeffler India	Age in years	Last Employment	% of Equity Shares held in the Company
Nil	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

e) Details of employees posted and working in a country outside India, not being directors or their relatives, drawing more than Sixty lakh rupees per financial year or Five lakh rupees per month, as the case may be during the year 2019

Sr. No.	Name	Designation	Remuneration for the year 2019 [₹]	Nature of Employment [Contractual /Regular]	Qualifications	Experience (in Completed years)	Date of Commence-ment of employment with Schaeffler India	Age in years	Last Employment	% of Equity Shares held in the Company
1	Ramamoorthy Pachiappan	General Manager	7,262,710	Regular	B.E. Mechanical	31	Aug 1 1989	51	M/S. Ganesh Engg Works	Nil

Note:

1 None of the employees disclosed in the above statements is a relative of any director of the Company.

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

Pune: February 12, 2020

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

(Annexure - E to the Directors' Report)

With increasing focus on sustainable development goals, Schaeffler India has constantly focussed on the key aspect of Social & Environment Impacts. Talking about environment impacts, conservation of energy has been a major focus in Schaeffler for the past year and the same rigor was seen in 2019, with initiatives and right investments in advance technologies.

Small steps have been initiated to maintain & improve carbon footprints with an aspiration to be carbon neutral in future.

A. Conservation of Energy

1. Steps taken or impact on conservation of energy

Various steps are taken at all the plants of Schaeffler India, some examples are here from plants.

- LBE LPG Burners Replaced by Noxmat fire LPG.
- Machine Shop Forging Cell Normal metal halide replaced By LED lamps with day light Harvesting System.
- In Production Office Normal fluorescent lamps replaced by LED lamps.
- At Schaeffler Hosur Plant Normal man coolers, replaced High velocity low speed high bay fan.
- SILH installed 500 CFM Atlas Capco VFD based compressor constant outlet pressure with 60-90% will load according to the plant demand.
- 2500 KVA Transformer- internal shifting made at Schaeffler Hosur, Low capacity to high capacity, Online tap changer to avoid plant stoppage for voltage correction. With these transformer (2*2500KVA) we can manage both plant in one transformer during weekend and holidays will save no load losses, if one transformer failed, we can manage one transformer to feed the power to both plants.
- Internal Shifting at Schaeffler Hosur of Diesel generator for better utilization since one DG performed 60~70% at particular location, after shifted to other location, as centralized powerhouse two feeders connected to the 2nd DG at present to avoid the higher capacity DG procurement.
- Paced Pull Chord switches for office floor, Motion sensor for maintenance office and washroom for Avoiding wastage of lighting power.
- Stopped and optimized the compressed air blow used on machine by identifying and eliminate the leakages on production machines and on utility.
- Installation of Heating Barrel of IMD old Machines jacket which reducing the usages of power for heaters by 40%.
- Replacement of all Inspection table lamp 180 Nos., Admin building, production office area and Utility areas with LED Lights which reduces the power consumption and improved the lux level.
- Replacement of Advance Panel A/c with Blue-E series energy efficient Rittal make panel.
- Installation of VFD of Main Motor for some machines, to select the speed control and reduce the power consumption.
- Stopped Idle run of Conveyor motors of machines at different locations.
- Improved efficiency of Chillers by replacing radiator.
- Switching to LED lights instead of Fluorescent tube.
- Black Oxidation OEE improved by programme logic modification.
- Energy efficiency of Black Oxidation line improve by 60%.
- Conversion of conventional street light with LED light.
- Replaced Fluorescent tube with LED lights in plant.
- Improved efficiency by installing electrical drive for interconnection (reduced compressed air use).

2. Steps taken by the Company for utilisation of alternate sources of energy

- Schaeffler India initiated to procuring green Power (Solar power).
- Saving with SOLAR Renewable energy resources for the year 2019.
- Water Cooled HVAC Systems having higher efficiency and lower running cost under installation.
- Clear Laminated glass to increase Natural Lights during day time will reduce electricity consumption.

3. Capital investment on energy conservation equipment

- Installation of new Solar panels on the plant roof.
- Installation of new high efficiency HVAC system with climate control system and high efficiency water cooled Chiller.

**Conservation of Energy, Technology Absorption,
Foreign Exchange Earnings and Outgo
(Annexure E to the Directors' Report)**

- Installation of Legrand sandwich Bus Bar in place of conventional ones with MCCB protection in place of HRC fuses.
- Invested on lightning with LED in 2019.
- Panel AC replaced with Blue E series Rittal.
- IMD barrel jacket provided for heat loss.
- Installation of compressor management system for central compressed air system.
- Installation of new high efficiency ETP plant.
- Installation of new STP plant for better treatment of water.
- LBE LPG burners Replaced Noxmat burners.
- Metal halide lamps Replaced by LED fitting with Day light harvesting System.
- Energy Saving Compressor for Hall 2(VFD based).
- Ducting & Insulation for AC at CRB, SRB Rollers at Schaeffler Maneja in Vadodara.
- Reconditioning of Heating coil & Ceramics Bricks – Bell Furnace.
- Implemented pilot variable drive at Centralized coolant supply system to save energy.
- All streetlights have been converted to LED.
- Implemented all 5star rating motors at new machinery which are built in 2019.
- Discarded old technology machines and replaced with new power 5star rating machines which consumed more power.
- Reorientation of sitting arrangement of office buildings to minimise energy consumption.

4. Environment Health & Safety

- Earth Leakage Circuit Breakers (ELCB) are provided to prevent electric shocks and electrical fires in all the LDB's.
- Installation of Fire Hydrant system with dedicated Electrical & Diesel fire Pump in entire plant.
- Installation of Fire/smoke/beam detection system in entire plant.
- Installation of Gas detections in the LPG, Propane, methanol, Ammonia storage & usage area.
- All emergency system like Fire detection, Smoke detection, Gas detection, Camera surveillance, public annunciation etc. centralised in one emergency control room with fire man 24 x 7.

- Thermography for early detection of potential problems in energised components.
- Installation of LED luminaries in place of conventional lighting.
- Sandwich bus bar with ELR in power distribution at various areas.
- Energy efficient IE3 pumps installation in supply system.
- Wellness Program started for health awareness for employees by Medical Officer & expert Doctors.

B. Technology Absorption

1. Efforts made towards technology absorption

- OD Grinding Technology – Local Machine Development
- Taper Roller Manufacturing <50mm – Face Grinding Local Technology Development
- Face Grinding Technology – Latest Technology of Diskus in segment.
- Spherical E1 roller localisation <50mm.
- Spherical Roller Bearing 120-200mm Dia Range capacity expansion.
- New AFS IFS technology capacity Expansion in DGBB62.
- New Technology of NOVA in DGBB140.
- Relocation of facilities with Capacity Expansion in WB Gen 2/3.
- Process optimisation with semi auto cage locking module for DGBB Type.
- Proto type machines concept development and local machine development.
- Machine refurbishment.
- Local machine development in Special Machine Building India.
 - i. Loading and unloading systems
- Capacity Enhancement in Roller Finger Follower.
- Capacity Enhancement in Hydraulic Lash Adjustor.
- Capacity Enhancement in Water Pump Bearing.
- Capacity Enhancement in Mechanical Tappets.
- Capacity Enhancement in Drawn Cup Needle Roller Bearings.

- Capacity Enhancement in Clutch Release Bearings.
- New Technology and Capacity Expansion in Plastic injection molding.
- Twin spindle warm set press done by SMB India team build the machine.
- Pass car Hub Induction hardening with Automation.
- Cover housing drilling & milling operation technology.
- Pressure plate turning & milling operation technology.

2. Benefits derived like product improvement, cost reduction, product development or import substitution

The Product reliability with customer-oriented Productivity and Schaeffler global Quality level is ensured with empowered technology of Schaeffler group with introduction of new Technology, better working condition, improved metrology and Global standards of Quality of our products with meeting all compliance level of health and safety as per OHSAS standards for local and Global customers.

3. Details of Imported Technology (Imported during the last three years reckoned from the beginning of the year)

Technology	Year of import
Face Grinding Machine	2019
Centerless Grinding Machine	2018
Honing Line for SRB E1 Rollers	2019
Assembly lines for DGBB <90	2018
Capacity Enhancement in Hydraulic Lash Adjustor	2019
Capacity Enhancement in Roller Finger Follower	2019
New Technology and Capacity Expansion in Plastic injection molding	2019
Assembly lines for DGBB > 90	2017, 2018
Track grinding machines for DGBB/SRB/CRB	2017, 2018
Roller grinding line for TRB	2018
Vertical honing machines for CRB	2018
Investment Realisation in Mechanical Tappets	2018
New Technology and Capacity Expansion in Plastic injection molding	2018
Capacity Expansion in Clutch release molding	2018
Capacity Expansion in Pressure plate machining	2018
Hwacheon	2019
Fanuc Robo drill	2019

All technologies are fully absorbed.

The details of Expenditure incurred on Research and Development

Particulars	₹ in million	
	2019	2018
Capital	28.5	42.6
Revenue	553.9	556.3
Total	582.4	598.9

Conservation of Energy, Technology Absorption,
Foreign Exchange Earnings and Outgo
(Annexure E to the Directors' Report)

4. Foreign Exchange Earnings and Outgo

Particulars	(₹ in million)	
	2019	2018
Earning:		
Earning in foreign exchange:		
Service Income	5.1	2.5
FOB value of exports	4,722.6	4,635.7
Other	38.3	3.7
Total foreign exchange earned	4,766.0	4,641.9
Outgo:		
CIF value of Imports:		
Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital goods and intangible assets	16,100.6	15,270.2
Expenditure in foreign currency:		
Interest on foreign currency loans, Fees for use of technology	601.5	996.9
Dividend paid to Shareholders (net of tax)	695.2	144.9
Total foreign exchange used	17,397.3	16,412.0

For Schaeffler India Limited

Avinash Gandhi
Chairman
DIN: 00161107

Pune: February 12, 2020

Extract of Annual Return - Form MGT 9

(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
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, 6136000 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 are as under:-

Sr. No.	Name and Description of Main Products / Services	NIC Code of the Product / Service	% to Total Turnover of the Company
1	Ball and Roller Bearings and related components, Engine components, Clutch cover assemblies, clutch driven plates and related components	2814	99.7%

3. Particulars of Holding, Subsidiary and Associate Companies

Sr. No.	Name and Address of the Company	CIN / GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	INA Holding Schaeffler GmbH & Co. KG Industriestraße 1–3, 91074 Herzogenaurach, Germany	-	Holding ¹	74.13%	2(46) read with 2(87)

¹ As on December 31, 2019, there was no direct holding Company of Schaeffler India Limited. However, INA Holding Schaeffler GmbH & Co. KG is ultimate holding Company of all promoter Shareholder entities of the Company.

**Extract of Annual Return - Form MGT 9
(Annexure F to the Directors' Report)**

4. Share Holding Pattern

(Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

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	
A. Promoters									
(1) Indian									
a) Individual / HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.	-	-	-	-	-	-	-	-	-
c) State Govt.(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corp.	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)	-	-	-	-	-	-	-	-	-
(2) Foreign									
a) NRIs – Individuals	-	-	-	-	-	-	-	-	-
b) Other – Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	23,172,647	-	23,172,647	74.13	23,172,647	-	23,172,647	74.13	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-total (A)(2)	23,172,647	-	23,172,647	74.13	23,172,647	-	23,172,647	74.13	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	23,172,647	-	23,172,647	74.13	23,172,647	-	23,172,647	74.13	-
B. Public Shareholding									
(1) Institutions									
a) Mutual Funds	4,403,105	-	4,403,105	14.09	4,248,653	-	4,248,653	13.59	(0.49)
b) Banks / FI	1,419	360	1,779	0.01	1,575	360	1,935	0.01	0.00
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	173,944	50	173,994	0.56	645,539	50	645,589	2.07	1.51
g) Foreign Institutional Investors (FIIs)	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Foreign Portfolio Investor	889,734	-	889,734	2.85	1,174,139	-	1,174,139	3.76	0.91
Unit Trust of India	-	-	-	-	-	-	-	-	-
Foreign Financial Institutions	-	100	100	0.00	-	100	100	0.00	-
Alternate Investment Funds	-	-	-	-	773	-	773	0.00	-
Sub-total (B)(1)	5,468,202	510	5,468,712	17.49	6,070,679	510	6,071,189	19.42	1.92

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		
(2) Non-Institutions										
a) Bodies Corporate										
i) Indian	1,105,526	3,720	1,109,246	3.55	481,946	3,720	485,666	1.55	(1.99)	
ii) Overseas	-	-	-	-	-	-	-	-	-	-
b) Individuals										
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh	968,559	114,308	1,082,867	3.46	996,563	94,262	1,090,825	3.49	0.03	
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	268,799	-	268,799	0.86	267,105	-	267,105	0.85	(0.01)	
c) Others (specify)										
Trusts	420	-	420	0.00	275	-	275	0.00	(0.00)	
Hindu Undivided Family	77,469	-	77,469	0.25	73,271	-	73,271	0.23	(0.01)	
Non-resident Individuals (Repatriable)	21,047	-	21,047	0.07	30,861	-	30,861	0.10	0.03	
Non-resident Individuals (Non-repatriable)	17,136	-	17,136	0.05	22,469	150	22,619	0.07	0.02	
Clearing Member	4,328	-	4,328	0.01	8,165	-	8,165	0.03	0.01	
Unclaimed Shares	-	3,380	3,380	0.01	3,380	-	3,380	0.01	-	
IEPF Authority	34,573	-	34,573	0.11	34,681	-	34,681	0.11	0.00	
NBFCs registered with RBI	104	-	104	0.00	20	-	20	0.00	(0.00)	
Trust (Employees)	6	-	6	0.00	30	-	30	0.00	0.00	
Sub-total (B)(2)	2,497,967	121,408	2,619,375	8.38	1,918,766	98,132	2,016,898	6.45	(1.93)	
Total Public Shareholding (B)=(B)(1)+ (B)(2)	7,966,169	121,918	8,088,087	25.87	7,989,445	98,642	8,088,087	25.87	-	
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-	
Grand Total (A+B+C)	31,138,816	121,918	31,260,734	100.00	31,162,092	98,642	31,260,734	100.00	-	

ii) Shareholding of Promoter

Sr. No.	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 Company	% of Shares pledged / of the encumbered to Total Shares	No. of Shares	% of Total Shares Company	% of Shares pledged / of the encumbered to Total Shares	
1	Schaeffler Schweinfurt Beteiligungs GmbH (Formerly known as FAG Kugelfischer GmbH)	8,529,183	27.28	-	8,529,183	27.28	-	-
2	Schaeffler Verwaltungs holding Sechs GmbH	4,692,451	15.01	-	4,692,451	15.01	-	-
3	Industriewerk Schaeffler INA-Ingenieurdienst GmbH	3,522,439	11.27	-	3,522,440	11.27	-	0.00
4	Schaeffler Beteiligungsgesellschaft mbH	1	0.00	-	-	0.00	-	(0.00)
5	Schaeffler Bühl Verwaltungs GmbH	6,428,572	20.56	-	6,428,573	20.56	-	0.00
6	Schaeffler Bühl Beteiligungs GmbH	1	0.00	-	-	0.00	-	(0.00)

**Extract of Annual Return - Form MGT 9
(Annexure F to the Directors' Report)**

iii) Change in Promoters' Shareholding

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
Schaeffler Schweinfurt Beteiligungs GmbH (Formerly known as FAG Kugelfischer GmbH)	At the beginning of the Year Jan 1 2019		8,529,183	27.28			
	At the end of the Year Dec 31 2019					8,529,183	27.28
Schaeffler Verwaltungsholding Sechs GmbH	At the beginning of the Year Jan 1 2019		4,692,451	15.01			
	At the end of the Year Dec 31 2019					4,692,451	15.01
Industriewerk Schaeffler INA-Ingenieurdienst GmbH	At the beginning of the Year Jan 1 2019		3,522,439	11.27			
	Dec 10 2019	Transfer			1	3,522,440	11.27
	At the end of the Year Dec 31 2019					3,522,440	11.27
Schaeffler Beteiligungsgesellschaft mbH	At the beginning of the Year Jan 1 2019		1	0.00			
	Dec 10 2019	Transfer			(1)	-	-
	At the end of the Year Dec 31 2019					-	-
Schaeffler Bühl Verwaltungs GmbH	At the beginning of the Year Jan 1 2019		6,428,572	20.56			
	Dec 10 2019	Transfer			1	6,428,573	20.56
	At the end of the Year Dec 31 2019					6,428,573	20.56
Schaeffler Bühl Beteiligungs GmbH	At the beginning of the Year Jan 1 2019		1	0.00			
	Dec 10 2019	Transfer			(1)	-	-
	At the end of the Year Dec 31 2019					-	-

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

Sr. No.	Name of the Shareholder ¹	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	Kotak Emerging Equity Scheme	At the beginning of the Year Jan 1, 2019		460,179	1.47			
		4-Jan-19	Transfer			(564)	459,615	1.47
		18-Jan-19	Transfer			(2,953)	456,662	1.46
		1-Feb-19	Transfer			804	457,466	1.46
		22-Feb-19	Transfer			6,787	464,253	1.49
		15-Mar-19	Transfer			617	464,870	1.49
		22-Mar-19	Transfer			7,890	472,760	1.51
		29-Mar-19	Transfer			5,000	477,760	1.53
		5-Apr-19	Transfer			(890)	476,870	1.53
		3-May-19	Transfer			171	477,041	1.53
		10-May-19	Transfer			3911	480,952	1.54
		17-May-19	Transfer			9,749	490,701	1.57
		24-May-19	Transfer			5,322	496,023	1.59
		21-Jun-19	Transfer			4,935	500,958	1.60
		5-Jul-19	Transfer			11,505	512,463	1.64
		12-Jul-19	Transfer			10,137	522,600	1.67
		19-Jul-19	Transfer			10,654	533,254	1.71
		26-Jul-19	Transfer			92,738	625,992	2.00
		2-Aug-19	Transfer			500	626,492	2.00
		9-Aug-19	Transfer			333	626,825	2.01
		30-Aug-19	Transfer			2,821	629,646	2.01
		6-Sep-19	Transfer			10,000	639,646	2.05
		27-Sep-19	Transfer			18,896	658,542	2.11
		30-Sep-19	Transfer			605	659,147	2.11
		18-Oct-19	Transfer			4,605	663,752	2.12
		25-Oct-19	Transfer			26,139	689,891	2.21
		6-Dec-19	Transfer			14,000	703,891	2.25
		27-Dec-19	Transfer			(3,148)	700,743	2.24
		At the end of the year Dec 31 2019					700,743	2.24
2	Franklin India Prima Fund	At the beginning of the Year Jan 1 2019		689,797	2.21			
		4-Jan-19	Transfer			(5,000)	684,797	2.19
		11-Jan-19	Transfer			(13,938)	670,859	2.15
		18-Jan-19	Transfer			(6,062)	664,797	2.13
		At the end of the year 31-Dec-19					664,797	2.13

1 Shareholding details of top 10 Shareholders as on December 31, 2019, have been clubbed based on unique Permanent Account Number.

**Extract of Annual Return - Form MGT 9
(Annexure F to the Directors' Report)**

Sr. No.	Name of the Shareholder ¹	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
3	SBI Magnum Global Fund	At the beginning of the Year Jan 1, 2019		778,166	2.49			
		18-Jan-19	Transfer			550	778,716	2.49
		15-Mar-19	Transfer			300	779,016	2.49
		29-Mar-19	Transfer			(1,158)	777,858	2.49
		5-Apr-19	Transfer			(392)	777,466	2.49
		31-May-19	Transfer			257	777,723	2.49
		7-Jun-19	Transfer			693	778,416	2.49
		26-Jul-19	Transfer			300	778,716	2.49
		23-Aug-19	Transfer			(1,000)	777,716	2.49
		18-Oct-19	Transfer			(57,085)	720,631	2.31
		25-Oct-19	Transfer			(45,816)	674,815	2.16
		1-Nov-19	Transfer			(11,455)	663,360	2.12
		At the end of the year 31-Dec-19					663,360	2.12
4	UTI – Equity Fund	At the beginning of the Year Jan 1 2019		420,685	1.35			
		22-Feb-19	Transfer			(12,600)	408,085	1.31
		14-Jun-19	Transfer			3,000	411,085	1.32
		5-Jul-19	Transfer			2,500	413,585	1.32
		12-Jul-19	Transfer			4,070	417,655	1.34
		19-Jul-19	Transfer			8,000	425,655	1.36
		26-Jul-19	Transfer			5,000	430,655	1.38
		2-Aug-19	Transfer			15,490	446,145	1.43
		30-Aug-19	Transfer			2,500	448,645	1.44
		20-Sep-19	Transfer			(5,026)	443,619	1.42
		27-Sep-19	Transfer			4,000	447,619	1.43
		30-Sep-19	Transfer			2,000	449,619	1.44
		4-Oct-19	Transfer			3,943	453,562	1.45
		1-Nov-19	Transfer			13,000	466,562	1.49
		8-Nov-19	Transfer			14,000	480,562	1.54
		15-Nov-19	Transfer			2,500	483,062	1.55
		22-Nov-19	Transfer			5,000	488,062	1.56
		29-Nov-19	Transfer			10,500	498,562	1.59
		6-Dec-19	Transfer			4,483	503,045	1.61
		13-Dec-19	Transfer			2,500	505,545	1.62
		20-Dec-19	Transfer			7,969	513,514	1.64
		27-Dec-19	Transfer			3,428	516,942	1.65
		31-Dec-19	Transfer			5,863	522,805	1.67
		At the end of the year 31-Dec-19					522,805	1.67
5	HDFC Trustee Company Ltd.- A/C HDFC Mid-Cap Opportunities Fund	At the beginning of the Year Jan 1, 2019		481,368	1.54			
		Mar 15 2019	Transfer			(13,787)	467,581	1.50
		At the end of the year Dec 31 2019					467,581	1.50

¹ Shareholding details of top 10 Shareholders as on December 31, 2019, have been clubbed based on unique Permanent Account Number.

Sr. No.	Name of the Shareholder ¹	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
6	Sundaram Mutual Fund A/C Sundaram Mid-Cap Fund	At the beginning of the Year Jan 1, 2019		360,947	1.15			
		8-Mar-19	Transfer			1,240	362,187	1.16
		3-May-19	Transfer			304	362,491	1.16
		10-May-19	Transfer			2,717	365,208	1.17
		17-May-19	Transfer			100	365,308	1.17
		6-Sep-19	Transfer			50,000	415,308	1.33
		27-Sep-19	Transfer			1,000	416,308	1.33
		13-Dec-19	Transfer			(4,000)	412,308	1.32
		At the end of the year Dec 31 2019					412,308	1.32
7	HDFC Life Insurance Company Limited	At the beginning of the Year Jan 1, 2019		400,258	1.28			
		25-Jan-19	Transfer			(101)	400,157	1.28
		1-Feb-19	Transfer			1125	401,282	1.28
		15-Feb-19	Transfer			(1,932)	399,350	1.28
		22-Feb-19	Transfer			(252)	399,098	1.28
		1-Mar-19	Transfer			1,179	400,277	1.28
		15-Mar-19	Transfer			3,089	403,366	1.29
		5-Apr-19	Transfer			20,765	424,131	1.36
		26-Apr-19	Transfer			(477)	423,654	1.36
		3-May-19	Transfer			131	423,785	1.36
		24-May-19	Transfer			2,048	425,833	1.36
		31-May-19	Transfer			496	426,329	1.36
		7-Jun-19	Transfer			235	426,564	1.36
		14-Jun-19	Transfer			(2,998)	423,566	1.35
		21-Jun-19	Transfer			(5,836)	417,730	1.34
		29-Jun-19	Transfer			(76)	417,654	1.34
		5-Jul-19	Transfer			(591)	417,063	1.33
		12-Jul-19	Transfer			(199)	416,864	1.33
		26-Jul-19	Transfer			4,746	421,610	1.35
		2-Aug-19	Transfer			(209)	421,401	1.35
		9-Aug-19	Transfer			(3,786)	417,615	1.34
		16-Aug-19	Transfer			(600)	417,015	1.33
		23-Aug-19	Transfer			(4,000)	413,015	1.32
		30-Aug-19	Transfer			499	413,514	1.32
		6-Sep-19	Transfer			(709)	412,805	1.32
		13-Sep-19	Transfer			(4,514)	408,291	1.31
		27-Sep-19	Transfer			(9,619)	398,672	1.28
		30-Sep-19	Transfer			(4,200)	394,472	1.26
		4-Oct-19	Transfer			(1,400)	393,072	1.26
		11-Oct-19	Transfer			(650)	392,422	1.26
		18-Oct-19	Transfer			(9,501)	382,921	1.22
		25-Oct-19	Transfer			(4,284)	378,637	1.21
		22-Nov-19	Transfer			(11)	378,626	1.21
		13-Dec-19	Transfer			(28)	378,598	1.21
		At the end of the year Dec 31 2019					378,598	1.21

¹ Shareholding details of top 10 Shareholders as on December 31, 2019, have been clubbed based on unique Permanent Account Number.

**Extract of Annual Return - Form MGT 9
(Annexure - F to the Directors' Report)**

Sr. No.	Name of the Shareholder ¹	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
8	Shree Capital Services Ltd.	At the beginning of the Year Jan 1, 2019		285,722	0.91			
		At the end of the year Dec 31, 2019					285,722	0.91
9	Aditya Birla Sun Life Trustee Private Limited A/C Aditya Birla Sun Life MNC Fund	At the beginning of the Year Jan 1, 2019		255,619	0.82			
		At the end of the year Dec 31, 2019					255,619	0.82
10	IDFC Multi Cap Fund	At the beginning of the Year Jan 1, 2019		348,894	1.12			
		11-Jan-19	Transfer			(141)	348,753	1.12
		18-Jan-19	Transfer			(2,867)	345,886	1.11
		25-Jan-19	Transfer			(3,200)	342,686	1.10
		1-Feb-19	Transfer			(16,061)	326,625	1.04
		8-Feb-19	Transfer			(6,533)	320,092	1.02
		15-Feb-19	Transfer			(1,632)	318,460	1.02
		22-Feb-19	Transfer			(1,611)	316,849	1.01
		15-Mar-19	Transfer			(1,685)	315,164	1.01
		5-Apr-19	Transfer			(6,456)	308,708	0.99
		26-Apr-19	Transfer			(95)	308,613	0.99
		3-May-19	Transfer			(40)	308,573	0.99
		24-May-19	Transfer			(4,906)	303,667	0.97
		31-May-19	Transfer			(53)	303,614	0.97
		7-Jun-19	Transfer			(73)	303,541	0.97
		29-Jun-19	Transfer			(753)	302,788	0.97
		5-Jul-19	Transfer			(293)	302,495	0.97
		12-Jul-19	Transfer			(61)	302,434	0.97
		19-Jul-19	Transfer			(33)	302,401	0.97
		26-Jul-19	Transfer			(8,331)	294,070	0.94
		2-Aug-19	Transfer			(4,200)	289,870	0.93
		9-Aug-19	Transfer			(3,290)	286,580	0.92
		16-Aug-19	Transfer			(39,236)	247,344	0.79
		13-Sep-19	Transfer			(554)	246,790	0.79
		20-Sep-19	Transfer			(5,196)	241,594	0.77
		27-Sep-19	Transfer			500	242,094	0.77
		11-Oct-19	Transfer			(1,351)	240,743	0.77
		18-Oct-19	Transfer			(36,244)	204,499	0.65
		25-Oct-19	Transfer			(2,405)	202,094	0.65
		1-Nov-19	Transfer			(10,000)	192,094	0.61
		15-Nov-19	Transfer			(4,076)	188,018	0.60
		22-Nov-19	Transfer			(1,888)	186,130	0.60
		At the end of the year Dec 31, 2019					186,130	0.60

1 Shareholding details of top 10 Shareholders as on December 31, 2019, have been clubbed based on unique Permanent Account Number.

v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	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(s)								
1	Mrs. Renu Challu	At the beginning of the Year Jan 1 2019		408	0.00			
		At the end of the year Dec 31 2019					408	0.00
Director and Key Managerial Personnel								
2	Mr. Harsha Kadam	At the beginning of the Year Jan 1 2019		25	0.00			
		At the end of the year Dec 31 2019					25	0.00

5. Indebtedness

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

Particulars	Secured Loans excluding Deposits	Unsecured Loans	Deposits	(₹ in million)
				Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	577.5	-	577.5
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	577.5	-	577.5
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	(577.5)	-	(577.5)
Net Change	-	(577.5)	-	(577.5)
Indebtedness at the end of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-

**Extract of Annual Return - Form MGT 9
(Annexure - F to the Directors' Report)**

6. Remuneration of Directors and Key Managerial Personnel

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

		(Amount in ₹)		
Sr. No.	Particulars of Remuneration paid to the Managing Director and Whole-time Director	Mr. Dharmesh Arora ¹ Managing Director	Mr. Harsha Kadam ² Managing Director & CEO	Mr. Satish Patel ³ Director-Finance & CFO
1	Gross salary	36,053,653	4,360,176	10,181,883
	(a) Salary as per provisions contained in Section 17(1) of the Income-Tax Act, 1961	36,023,953	4,360,176	9,656,562
	(b) Value of perquisites u/s 17(2) of Income-Tax Act, 1961	29,700	-	525,322
	(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)		36,053,653	4,360,176	10,181,883
Ceiling as per the Companies Act, 2013				₹ 540.1 million

- 1 Mr. Dharmesh Arora ceased to be a Managing Director and continued as a Non-executive Director effective October 1, 2019.
2 Mr. Harsha Kadam has been appointed as Managing Director & CEO effective from October 1, 2020.
3 Mr. Satish Patel has been appointed as Director-Finance & CFO (Whole-time Director) effective February 13, 2019.

B. Remuneration to other Directors

		(Amount in ₹)					
Sr. No.	Particulars of Remuneration	Name of Directors					Total
		Mr. Avinash Gandhi	Mrs. Renu Challu	Dr. Sanak Mishra	Mr. Rakesh Jinsi	Mr. Arvind Balaji ¹	
1	Independent Directors						
	Fee for attending Board/ Committee Meetings	520,000	460,000	570,000	610,000	-	2,160,000
	Commission	1,600,000	1,050,000	1,050,000	1,050,000	-	4,750,000
	Others, please specify	-	-	-	-	-	-
Total (1)		2,120,000	1,510,000	1,620,000	1,660,000	-	6,910,000

		(Amount in ₹)				
Sr. No.	Particulars of Remuneration	Name of Directors				Total
		Mr. R. Sampath Kumar	Mr. Klaus Rosenfeld	Mr. Jürgen Ziegler	Mr. Dharmesh Arora	
2	Other Non-Executive Directors					
	Fee for attending Board/ Committee Meetings	200,000	100,000	360,000	140,000	800,000
	Commission	1,050,000	-	-	-	1,050,000
	Others, please specify	-	-	-	-	-
Total (2)		1,250,000	100,000	360,000	140,000	1,850,000
Total (B) = (1) +(2)		3,370,000	1,610,000	1,980,000	1,800,000	8,760,000
Total Managerial Remuneration					56,395,713	
Overall Ceiling as per the Companies Act, 2013					₹ 594.1 million	

- 1 Mr. Arvind Balaji has been appointed as Independent Director effective November 6, 2019.

Notes:

- a) Managerial Remuneration includes Remuneration paid to Managing Director(s), Whole-time Director and 'Profit Related Commission' paid to other Directors during 2019.
b) Effective April 1, 2019, sitting fees for attending meetings of Board and Committees thereof are paid to the Non-Executive Directors who are in whole-time employment of the Schaeffler Group.

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

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		Mr. Satish Patel Director–Finance & CFO	Mr. Chirag Shukla CS	
1	Gross salary	11,606,993	2,581,019	14,188,012
	(a) Salary as per provisions contained in Section 17(1) of the Income-Tax Act, 1961	11,104,744	2,581,019	13,685,763
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	502,249	-	502,249
	(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		11,606,993	2,581,019	14,188,012

7. Penalties/ Punishment/ Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/ NCLT/ COURT]	Appeal made, if any (give Details)
A. Company					
Penalty			Nil		
Punishment					
Compounding					
B. Directors					
Penalty			Nil		
Punishment					
Compounding					
C. Other Officers in Default					
Penalty			Nil		
Punishment					
Compounding					

Pune: February 12, 2020

For and on behalf of the Board

Mr. Avinash Gandhi
Chairman
DIN: 00161107

Corporate Governance 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 Core Management 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 Directors, Non-executive Directors, Independent Directors and Woman Director, as per the prevailing regulatory requirements. As on December 31, 2019 the Company had ten Directors, out of which eight Directors are Non-executive Directors and out of these eight, four 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 and 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 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 ¹	Number of Directorships	Number of Membership (Chairmanship) in Committees	Attendance in Board Meetings held in 2019	Attendance at last AGM held on April 30, 2019
			As on December 31, 2019			Yes or No or NA ²
Mr. Avinash Gandhi	00161107	NE & ID	10	8(2)	4	Yes
Mr. Dharmesh Arora ³	05350121	NE & NID	1	0	4	Yes
Mr. Harsha Kadam ⁴	07736005	E & NID	1	1(0)	1	NA
Mr. Satish Patel ⁵	00690869	E & NID	1	2(0)	4	Yes
Mr. Klaus Rosenfeld	07087975	NE & NID	1	0	3	Yes
Mr. Jürgen Ziegler	07092477	NE & NID	1	1(0)	4	Yes
Mr. Marcus Eisenhuth ⁶	07904850	NE & NID	NA	NA	1	NA
Mr. R. Sampath Kumar	00495192	NE & NID	1	0	4	Yes
Dr. Sanak Mishra ⁷	00027288	NE & ID	NA	NA	4	Yes
Mrs. Renu Challu	00157204	NE & ID	4	5(3)	3	Yes
Mr. Rakesh Jinsi	00182187	NE & ID	3	3(0)	4	Yes
Mr. Arvind Balaji ⁸	00557711	NE & ID	10	1(0)	NA	NA

1 E & NID: Executive and Non-independent Director, NE & NID: Non-executive and Non-independent Director, NE & ID: Non-executive and Independent Director

2 NA: Not Applicable

3 Ceased to be a Managing Director and continued as a Non-executive Director effective October 1, 2019.

4 Appointed as a Managing Director effective October 1, 2019.

5 Appointed as a Director – Finance effective February 13, 2019.

6 Ceased to be a Director effective February 14, 2019.

7 Ceased to be a Director effective November 6, 2019.

8 Appointed as an Independent Director effective November 6, 2019.

Details of Directorship in Listed Companies as on December 31, 2019

Name of Director(s)	Name of Listed Company	Category of Directorship held ¹
Mr. Avinash Gandhi	Schaeffler India Limited	NE & ID
	Lumax Industries Limited	NE & ID
	Minda Corporation Limited	NE & ID
	Lumax Auto Technologies Limited	NE & ID
	Action Construction Equipment Limited	NE & ID
Mr. Dharmesh Arora	Schaeffler India Limited	NE & NID
Mr. Harsha Kadam	Schaeffler India Limited	E & NID
Mr. Satish Patel	Schaeffler India Limited	E & NID
Mr. Klaus Rosenfeld	Schaeffler India Limited	NE & NID
Mr. Jürgen Ziegler	Schaeffler India Limited	NE & NID
Mr. R. Sampath Kumar	Schaeffler India Limited	NE & NID
Mrs. Renu Challu	Schaeffler India Limited	NE & ID
	NCC Limited	NE & ID
	Ceinsys Tech Limited	NE & ID
Mr. Rakesh Jinsi	Schaeffler India Limited	NE & ID
Mr. Arvind Balaji	India Nippon Electricals Limited	E & NID
	Schaeffler India Limited	NE & ID

1 E & NID: Executive and Non-independent Director, NE & NID: Non-executive and Non-independent Director, NE & ID: Non-executive and Independent Director

(v) Executive Directors:

- Mr. Harsha Kadam, having qualification in Mechanical Engineering & Marketing and vast experience in various functions like Sales, Manufacturing and Product Design / Development, is the Managing Director & CEO effective October 1, 2019.
- Mr. Satish Patel, having an Associate Membership of the Institute of Cost Accountants of India and vast experience in the field of controlling and finance management, is a Director – Finance & CFO effective February 13, 2019.

Corporate Governance Report

(vi) Independent Directors:

- Mr. Avinash Gandhi, having qualification in Mechanical Engineering and vast experience in the Automobile Industry, is the Chairman of the 'Board' and classified as 'Non-executive and Independent Director'.
- Mrs. Renu Challu, having Master's degree in Economics and vast experience in Banking and Finance, is a 'Non-executive and Independent Director'.
- Mr. Amit Kalyani having qualification in Mechanical Engineering and vast experience in manufacturing and technology, is a 'Non-executive and Independent Director' effective February, 11, 2020.
- Mr. Arvind Balaji, having qualification in Mechanical Engineering, Manufacturing Systems Engineering & Master's degree in Finance and vast experience in the investment banking, financing and M&A transactions is a 'Non-executive and Independent Director' effective November 6, 2019.

(vii) Non- Independent Directors:

- Mr. Klaus Rosenfeld having qualification in Business Administration & Economics and vast experience in Banking and Finance, working at senior positions with "Schaeffler Group" is a 'Non-executive and Non-Independent Director'.
- Mr. Jürgen Ziegler having qualification in Business Administration and vast experience in the fields of sales, logistics, project management, strategic planning, working at senior positions with "Schaeffler Group" is a 'Non-executive and Non-Independent Director'.
- Mr. Dharmesh Arora, having qualification in Mechanical Engineering & Business Administration and vast experience in the Automotive Industry, is a 'Non-executive and Non-independent Director'.
- Mr. R. Sampath Kumar having degree in law & commerce and vast experience in the area of corporate and general commercial law 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 and Mr. Harsha Kadam, who holds 408 and 25 Equity Shares of the Company respectively, none of the Directors holds any Equity Share of the Company as on December 31, 2019.

(B) Board Meeting(s) During 2019

Four Board Meetings were held during 2019 on the following dates:

Board Meeting(s)	I	II	III	IV
Dates	February 13	April 30	July 23	October 21
Start Timing	11:00 a.m.	10:30 a.m.	1:45 p.m.	12:30 p.m.
Venue	Mumbai	Mumbai	Kappelrodeck, Pune Germany	

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

(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:

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

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

(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 2019 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/remotemedien/media/_shared_media_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/code_of_conduct_for_directors_senior_management_schaeffler_india.pdf

(E) Familiarisation and Training to 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.

Guided by the principles of best Corporate Governance Practices, all the Directors including Independent Directors are provided familiarisation trainings through various programmes and workshops about insights about the Company, including nature of Industry in which the Company operates, business model of the Company, relevant information on business processes, business development, strategy and business plan of the Company. They are also informed about their role, responsibilities, duties and rights from time to time.

The familiarisation and trainings are provided to all the Directors including Independent Directors. Executive Directors, have additional trainings, workshops and orientations depending upon their role, responsibilities and developments in business.

Following programmes, trainings and workshops were conducted for all Directors during the year 2019:

Sr. No.	Particulars	No. of Hours (approx.)	Faculty/ Trainer/ Speaker	Participants
1	Master Class for Directors	24	Faculties from Institute of Directors	Mr. Dharmesh Arora
2	Review of Financial and Operational Performance of the Company during the Meetings of Board and Committees thereof	8	KMPs of the Company as well as Statutory and Internal Auditors	All the Directors and KMPs
3	Visit to plants at Headquarters of Schaeffler Group in Germany	16	Automotive Board of Schaeffler Group and various other members of the Team	All the Directors except Mrs. Renu Challu and KMPs

The details of such programmes have been disclosed on the website of the Company on following web-link: https://www.schaeffler.co.in/remotemedien/media/_shared_media_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/familiarisation_programmes_id_details_schaeffler_india.pdf

(F) Matrix of skills/ expertise/ competence of the Board of Directors

Details of the core skills/ expertise/ competencies identified by the board of directors as required in the context of the business(es) and sector(s) in which it operates to function effectively and the names of directors who possessed such skills/ expertise/ competencies.

Core Skills/ Expertise/ Competence	Mr. Avinash Gandhi	Mr. Dharmesh Arora	Mr. Harsha Kadam	Mr. Satish Patel	Mr. Klaus Rosenfeld	Mr. Jürgen Ziegler	Mr. R. Sampath Kumar	Mr. Arvind Balaji	Mrs. Renu Challu	Mr. Amit Kalyani
Business Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Strategic Management	✓	✓	✓	✓	✓	✓	—	✓	✓	✓
Leadership	✓	✓	✓	✓	✓	✓	—	✓	✓	✓
Engineering and Technology	✓	✓	✓	—	—	—	—	✓	—	✓
Finance Management	✓	✓	✓	✓	✓	✓	—	✓	✓	✓
Governance & Board Dynamics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

(G) Confirmation of the Board on Independence

Based on the disclosures received from the Independent Directors, the Board of Directors of the Company confirms that the Independent Directors fulfill the conditions specified in the Listing Regulations and are Independent of the management.

(H) Succession Planning

The Company understands the importance of succession planning for Directors and Senior Management. Succession for each Director is carefully planned and the process for identification and appointment is followed as per policy of the Company. Similarly, the Company follows a well developed Global Talent Management (GTM) process wherein performance and potential of leadership talent in the Company are reviewed annually and succession plans established. The Company has a group of employees named 'Leadership Next' where potential future leaders for the Company are trained and groomed through various programmes. The Company also has programmes on 'Young Leadership' and 'Accelerated Leadership' for developing talent pipeline of young and emerging leadership.

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	Role in the Committee	Category
1	Mrs. Renu Challu	Chairperson	Non-executive & Independent
2	Mr. Avinash Gandhi	Member	Non-executive & Independent
3	Mr. Arvind Balaji ¹	Member	Non-executive & Independent
4	Mr. Amit Kalyani ²	Member	Non-executive & Independent
5	Mr. Jürgen Ziegler	Member	Non-executive & Non-independent
6	Mr. Satish Patel	Member	Executive & Non-independent

1 Effective November 6, 2019, Dr. Sanak Mishra ceased to be a member of the Audit Committee and Mr. Arvind Balaji has been appointed as member of the Audit Committee.

2 Effective February 11, 2020, Mr. Rakesh Jinsi ceased to be a member of the Audit Committee and Mr. Amit Kalyani has been appointed as member of the Audit Committee.

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 2019 are as follows:

Audit Committee Meeting(s)	I	II	III	IV	V
Dates	February 13	April 30	July 23	October 21	December 9
Start Timing	9:15 a.m.	8:30 a.m.	12:15 p.m.	9:30 a.m.	11:30 a.m.
Venue	Mumbai	Mumbai	Kappelrodeck, Germany	Pune	Mumbai
Attended by	All the members		All the members except Mrs. Renu Challu	All the members	All the members except Mr. Jürgen Ziegler and Mr. Arvind Balaji

The Audit Committee invites such executives as it considers appropriate to be present at the meeting including 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 56th Annual General Meeting held on April 30, 2019.

The Audit Committee mandatorily reviews:

1. Management discussion and analysis of financial condition and results of operations;
2. All related party transactions submitted by Management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors, if any;
4. Internal audit reports;
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor; and
6. Statement of deviations, if any.

(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 auditors' report thereon before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the 'Directors' Responsibility Statement' to be included in the board's report in terms of Section 134(3)(c) of the Companies Act, 2013
 - 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 statements
 - f) Disclosure of any related party transactions
 - g) 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 utilised for purposes other than those stated in the offer document/

Corporate Governance Report

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

4. 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	Role in the Committee	Category
1	Mrs. Renu Challu ¹	Chairperson	Non-executive & Independent
2	Mr. Avinash Gandhi	Member	Non-executive & Independent
3	Mr. Amit Kalyani ²	Member	Non-executive & Independent
4	Mr. Dharmesh Arora ¹	Member	Non-executive & Non-independent

1 Effective November 6, 2019, Dr. Sanak Mishra and Mr. Jürgen Ziegler ceased to be members of the NRC, Mrs. Renu Challu has been appointed as Chairperson of the NRC and Mr. Dharmesh Arora has been appointed as member of the NRC.

2 Effective 11, 2020, Mr. Rakesh Jinsi ceased to be a member of the NRC and Mr. Amit Kalyani has been appointed as member of the NRC.

(B) Meetings of NRC

During the year 2019, four meetings of NRC were held, details of which are as follows:

NRC Meeting(s)	I	II	III	IV
Dates	February 12	April 29	July 22	October 20
Start Timing	6:00 PM	7:00 PM	8:45 PM	7:00 PM
Venue	Mumbai	Mumbai	Kappelrodeck, Germany	Pune
Attended by	All the members			

(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, *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 senior management;
2. Formulation of criteria for performance evaluation of Independent Directors and the Board of Directors;
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;
6. To recommend to the board, all remuneration, in whatever form, payable to senior management.

(D) Performance Evaluation Criteria for Independent Directors:

The criteria for performance evaluation of Independent Directors include (i) Attendance at the meetings, (ii) Preparedness for and participation at the meetings, (iii) Staying updated on developments, (iv) Constructive contribution at the meetings, (v) Being objective and protecting interest of all shareholders, (vi) Engaging with and challenging management without being confrontational or obstructionist, (vii) Ensuring integrity of financial

statements / internal controls, (viii) Ensuring risk management system & mitigation measures are in place, (ix) Fulfillment of the independence criteria (as specified in the Listing Regulations) and independence from the management.

5. Remuneration

(A) Remuneration to the Executive Directors

The Remuneration of Executive Directors (Managing Director & Director–Finance & CFO) has fixed as well as variable components. The variable components comprise of ‘Short-term Bonus’ and ‘Long-term Bonus’ and the criteria for determination thereof effective 2019, are as under:

A. Short-term Bonus:

- (a) Free Cash Flow (FCF) (50%); and
- (b) Schaeffler Value Added (SVA) (50%)

B. Long-term Bonus:

- (a) Total Shareholders Return (TSR) i.e. relative outperformance of Share Price of Schaeffler India Limited in comparison of BSE 200 Index (50%);
- (b) Service Conditions (SC) (50%).

Rationale:

Free Cash Flow (FCF):

- FCF reflects operational and liquidity performance, a key for short and long-term sustainability;
- FCF measures the company’s ability to convert its operating performance to cash inflows.

Schaeffler Value Added (SVA):

- RoCE is a value based performance indicator to reflect how efficiently the Company makes use of its resources.
- SVA is closely linked to RoCE and reflects the interest and needs of all investors.

FCF and SVA together reflects holistic view of short and long-term sustainable performance of the Company and returns to shareholders.

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The details of remuneration paid during 2019 to the Managing Director and Director – Finance are as follows:

Name	(₹ in million)				Total
	Salary & Performance Bonus	Allowance & Perquisites	Company's contribution to funds		
Mr. Dharmesh Arora, Managing Director (up to September 30, 2019)	20.0	10.6	1.4		32.0
Mr. Harsha Kadam, Managing Director (from October 1, 2019)	2.7	1.6	0.3		4.6
Mr. Satish Patel, Director – Finance & CFO (from February 13, 2019)	5.3	4.8	1.1		11.2

Notes:

- Company's contributions to fund include Superannuation Fund and Provident Fund and exclude the accruals for gratuity as it is funded on the basis of an actuarial valuation for the Company as a whole.
- The Company has entered into Employment Agreement with Executive Directors.
- The details of fixed and variable components of the remuneration of Executive Directors are disclosed in the resolution and explanatory statement for their appointment or for revision in remuneration, as the case may be. The criteria for variable performance linked component has been explained in this Report.
- As per employment agreement, either party can terminate agreement by giving six months' notice in writing. There is no provision of severance fees.
- The Company did not have any Stock Option Scheme as at December 31, 2019.

(B) Remuneration to the Senior Management

The scheme of variable components comprising Short-term Bonus and Long-term Bonus as detailed in point 5 (A) above, has also been made applicable to the Executive Leadership Team (Senior Management) of the Company effective January 1, 2019.

(C) Criteria for 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, Non-executive Directors are paid 'Sitting Fees' for attending Board / Committee Meetings and 'Profit Related Commission' based on performance of the Company.

Considering the responsibilities shouldered, time spent and efforts made by the Non-executive Directors who are in whole-time employment of the Schaeffler Group, the Board of Directors, on the recommendation of the Nomination and Remuneration Committee, has approved, *inter-alia*, necessary amendments in Nomination and Remuneration Policy, for payment of Sitting Fees and Profit Related Commission to such Non-executive Directors.

Accordingly, effective April 1, 2019, such Non-executive Directors have been paid sitting fees for attending meetings of Board / Committees thereof. Further, they shall also be considered for payment of Profit Related Commission for the year 2019 onwards, subject to approval of shareholders at the ensuing Annual General Meeting.

The details of sitting fees for attending Board / Committee Meetings held during the year 2019 and profit related commission for the year 2018 paid to them are as follows:

Name of Director	Number of Meetings attended							Amount in ₹	
	Board Meetings	Audit Committee Meetings	Stakeholders Relationship Committee Meetings	Nomination & Remuneration Committee Meetings	Corporate Social Responsibility Committee Meetings	Risk Management Committee Meetings	Sitting Fees	Commission	
Mr. Avinash Gandhi	4	5	-	4	-	-	520,000	1,600,000	
Mrs. Renu Challu	3	4	2	-	3	-	460,000	1,050,000	
Dr. Sanak Mishra	4	4	2	4	-	1	570,000	1,050,000	
Mr. Rakesh Jinsi	4	5	-	4	3	-	610,000	1,050,000	
Mr. R. Sampath Kumar	4	-	-	-	-	-	200,000	1,050,000	
Mr. Klaus Rosenfeld ¹	3	-	-	-	-	-	100,000	-	
Mr. Jürgen Ziegler ¹	4	3	-	4	-	-	360,000	-	
Mr. Dharmesh Arora ¹	4	-	2	-	3	1	140,000	-	
Total							2,960,000	5,800,000	

¹ Effective April 1, 2019, sitting fees for attending meetings of Board and Committees thereof are paid to the Non-executive Directors who are in whole-time employment of the Schaeffler Group.

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 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 2019 are as follows:

- Professional consultation fees paid to Mr. R. Sampath Kumar: ₹ 110,700/-.

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	Role in the Committee	Category
1	Mrs. Renu Challu	Chairperson	Non-executive & Independent
2	Mr. Satish Patel ¹	Member	Executive & Non-independent
3	Mr. Harsha Kadam ¹	Member	Executive & Non-independent

¹ Effective November 6, 2019, Mr. Dharmesh Arora and Dr. Sanak Mishra ceased to be members of the Committee and Mr. Satish Patel and Mr. Harsha Kadam have been appointed as members of the Committee.

(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 2019, two meetings of SRC were held, details of which are as follows:

SRC Meeting(s)	I	II
Dates	April 29	October 20
Start Timing	6:00 PM	5:00 PM
Venue	Mumbai	Pune
Attended by	All the members	

The Chairperson of the SRC, Mrs. Renu Challu, attended the 56th Annual General Meeting held on April 30, 2019.

The Company Secretary Mr. Chirag K. Shukla is the Compliance Officer of the Company till February 28, 2020. Effective February 29, 2020, Mr. Ashish Tiwari, Company Secretary will be the Compliance Officer of the Company.

During 2019, total of six (6) complaints were received. All complaints received during the year 2019 including one (1) complaint pending at the beginning of the year were attended to and resolved satisfactorily. There was no complaint pending as on December 31, 2019.

(C) Terms of Reference of SRC

With effect from February 13, 2019, the Committee shall act in accordance with the terms of reference which, *inter-alia*, include:

1. Resolving the grievances of the security holders of the listed entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, general meetings etc.;
2. Review of measures taken for effective exercise of voting rights by shareholders;
3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar & Share Transfer Agent;
4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company;
5. The Committee shall meet at least once a year.

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 the following members:

(A) Composition of CSR Committee

Sr. No.	Name of Director	Role in the Committee	Category
1	Mr. Arvind Balaji ¹	Chairman	Non-executive & Independent
2	Mr. Harsha Kadam ¹	Member	Executive & Non-independent
3	Mr. Amit Kalyani ²	Member	Non-executive & Independent

1 Effective November 6, 2019, Mrs. Renu Challu and Mr. Dharmesh Arora ceased to be a member of the CSR Committee and Mr. Arvind Balaji has been appointed as a Chairman and Mr. Harsha Kadam has been appointed as a member of the CSR Committee.

2 Effective February 11, 2020, Mr. Rakesh Jinsi ceased to be a member of the CSR Committee and Mr. Amit Kalyani has been appointed as a member of the CSR Committee.

(B) Meetings of CSR Committee & Attendance of Members

During the year 2019, three meetings of CSR Committee were held, details of which are as follows:

CSR Committee Meeting(s)	I	II	III
Dates	February 13	April 29	October 20
Start Timing	08:15 AM	5:00 PM	06:00 PM
Venue	Mumbai	Mumbai	Pune
Attended by	All the members		

8. Risk Management Committee

The 'Risk Management Committee' (hereinafter referred as 'RMC') has been constituted pursuant to the provisions of Regulation 21 of the Listing Regulations, comprises the following members:

(A) Composition of RMC

Sr. No.	Name	Role in the Committee	Category
Directors			
1	Mr. Dharmesh Arora	Chairman	Non-executive & Non-independent Director
2	Mr. Harsha Kadam ¹	Member	Executive & Non-independent Director
3	Mr. Satish Patel	Member	Executive & Non-independent Director
Members of Senior Management			
4	Mr. Sameer Mathur	Member	Chief Operating Officer
5	Mr. Santanu Ghoshal	Member	Vice President – Human Resources

1 Effective November 6, 2019, Dr. Sanak Mishra ceased to be a member of the Committee and Mr. Harsha Kadam has been appointed as a member of the Committee.

(B) Meetings of RMC & Attendance of Members

During the year 2019, one meeting of RMC was held on October 20, 2019. The meeting was attended by all the members.

(C) Terms of Reference of RMC

The Committee shall act in accordance with the terms of reference which, *inter-alia*, include:

- The Committee shall monitor and review from time to time to ensure that adequate systems, processes, guidelines, methods, tools are in place to ensure timely and accurate identification, assessment and evaluation of the risks associated with the business of the Company, specifically covering the cyber security risk;
- The Committee shall monitor and review from time to time to ensure that adequate plans, procedures, methods, resources and measures are in place to effectively mitigate the risks identified;

3. The Committee shall report to the Board periodically the risk levels of identified risks, mitigation plans and risks owned if any;
4. The Committee shall meet as and when deemed necessary by its members, at least once a year;
5. The Committee may invite any employee of the Company to attend the meeting and may also engage services of external experts as and when required to discharge its functions effectively;
6. The Committee shall review the risk management framework of the Company at least once every two years and recommend to the Board, amendments thereto, if any.

9. General Body Meetings & Postal Ballot

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

Particulars	Meetings		
	56 th AGM	55 th AGM	54 th AGM
Date	April 30, 2019	April 17, 2018	April 21, 2017
Start Timing	3:00 PM	3:00 PM	3:00 PM
Venue	Y B Chavan Centre, General Jagannath Bhosle Marg, Besides Sachivalaya Gymkhana, Nariman Point, Mumbai – 400 021, Maharashtra, India	Y B Chavan Centre, General Jagannath Bhosle Marg, Besides Sachivalaya Gymkhana, 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
Resolutions Passed			
Ordinary Business:			
Adoption of Accounts as at	December 31, 2018	December 31, 2017	December 31, 2016
Declaration of Dividend	Regular Dividend of ₹ 20 and Special onetime Dividend of ₹ 10 per equity share of ₹ 10 each	₹ 17 per equity share of ₹ 10 each	₹ 12 per equity share of ₹ 10 each
Re-appointment of Rotational Directors	Mr. Klaus Rosenfeld	—	Mr. Klaus Rosenfeld Mr. R. Sampath Kumar
Ratification of Appointment of Auditors and / or Authorisation to fix their remuneration	Authorisation to fix their remuneration B S R & Co. LLP, Chartered Accountants, Mumbai	Ratification of Appointment and to fix their remuneration	Ratification of Appointment and to fix their remuneration
Special Business:			
Appointment of Directors	Mr. Jürgen Ziegler as a Director Mr. Satish Patel as a Director Mr. Satish Patel as a Whole-time Director, designated as Director– Finance & CFO	Mr. Marcus Eisenhuth as a Director Mr. Avinash Gandhi as an Independent Director	Mr. Dharmesh Arora as a Director Mr. Dharmesh Arora as the Managing Director —
Approval on	Revision in remuneration of Mr. Dharmesh Arora, Managing Director Material Related Party Transactions Alteration of Articles of Association (Special resolution) Ratification of Remuneration to the Cost Auditors	Not to fill up the vacancy caused by retirement of Mr. Dietmar Heinrich by rotation — — Remuneration to the Cost Auditors	Material Related Party Transactions — — Remuneration to the Cost Auditors

Postal Ballot

During the year 2019, two postal ballot activities were conducted by the Company, as per details mentioned below:

Postal Ballot 1:

Continuation of Directorship of Mr. Avinash Gandhi (DIN: 00161107) (Special Resolution)

Date of Notice: February 13, 2019

Date of Declaration of Results: March 25, 2019

Sr. No.	Resolution	No. of valid votes received	No. and % of votes in favour	No. and % of votes against
1	Continuation of Directorship of Mr. Avinash Gandhi (DIN: 00161107) aged 80 years, as a Non-executive Independent Director of the Company from April 1, 2019 till the conclusion of his present tenure as an Independent Director that is up to February 6, 2023.	27,668,891	26,400,782 (95.42%)	1,268,109 (4.58%)

Note: There were 1,995 number of invalid votes received in 27 Postal Ballots and were excluded from the above calculation.

Postal Ballot 2:

Re-appointment of Mrs. Renu Challu (DIN: 00157204) as an Independent Director for second term of five consecutive years, in terms of Section 149 of the Companies Act, 2013 (Special Resolution)

Date of Notice: August 22, 2019

Date of Declaration of Results: September 30, 2019

Sr. No.	Resolution	No. of valid votes received	No. and % of votes in favour	No. and % of votes against
1	Re-appointment of Mrs. Renu Challu (DIN: 00157204) as an Independent Director for second term of five consecutive years, in terms of Section 149 of the Companies Act, 2013	27,482,417	27,480,692 (99.99%)	1,725 (0.01%)

Note: There were 136 number of invalid votes received in 7 Postal Ballots and were excluded from the above calculation.

Mr. Suresh Kumar Kabra, Partner of M/s. Samdani Kabra & Associates, Company Secretaries was appointed as the scrutiniser for carrying out the postal ballot activities conducted by the Company during the year 2019 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.

10. Means of Communication

Publication of Quarterly Results:

Pursuant to provisions of the Listing Regulations, periodical financial results and other publications of the Company are being published in widely circulated English newspapers (Economic Times) and a Vernacular Marathi newspaper (Tarun Bharat). Financial results, as soon as they are approved by the Board, are submitted to the Stock Exchanges (BSE & NSE).

Website of the Company:

Apart from quarterly financial results, official news, press releases and other statutory and business information are displayed on the website of the Company: www.schaeffler.co.in.

Presentations made to Institutional Investors or to Analysts:

The Company regularly conducts Investor and analysts call after quarterly results. The Investor presentations made by the Company to analysts are submitted to the Stock Exchanges (BSE & NSE) and are also uploaded on the website of the Company. The transcripts of calls are also available on the website of the Company.

11. General Shareholder Information

i) 57th Annual General Meeting is scheduled to be held:

On: Thursday, the 23rd day of April, 2020

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 2020 would be carried out within time limit, as per prevailing regulatory requirements.

iii) Date of Book Closure: April 17, 2020 to April 23, 2020 (Both days inclusive).

iv) Dividend

The Dividend for the year 2019 if declared at the 57th Annual General Meeting scheduled to be held on April 23, 2020, 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

Note: 14,643,464 equity shares issued pursuant to scheme of amalgamation, to the respective shareholders of erstwhile INA Bearings India Private Limited and erstwhile LuK India Private Limited were listed on BSE Limited and National Stock Exchange of India Limited during the year.

The requisite listing fees have been paid to the Stock Exchanges up to March 31, 2020.

vi) Custodial Fee to Depositories

The Company has paid Annual Custodial Fees for the year 2019–2020 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

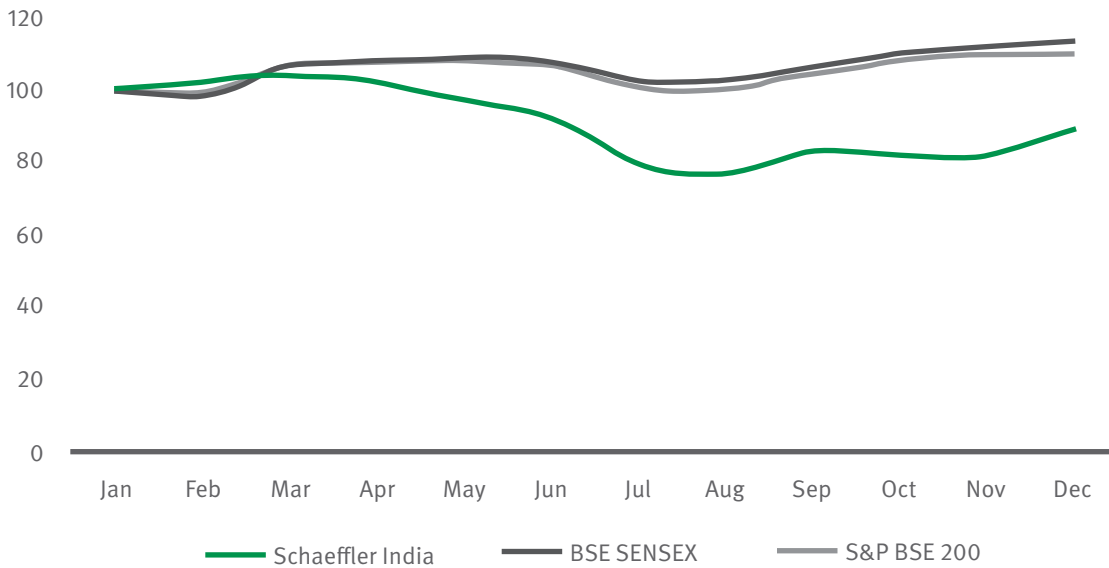
A summary containing monthly High / Low share prices at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) is as under:

For the year 2019	Equity Shares			
	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
January	5,836.30	5,141.00	5,798.00	5,130.00
February	5,680.00	5,151.00	5,700.00	5,152.60
March	5,694.50	5,342.85	5,725.00	5,301.45
April	5,699.95	5,336.15	5,600.00	5,331.30
May	5,495.00	4,671.05	5,450.00	4,682.05
June	5,255.00	4,750.00	5,240.00	4,736.00
July	4,900.00	3,841.00	4,900.00	3,835.50
August	4,423.90	3,952.00	4,426.90	3,940.00
September	4,388.00	3,950.00	4,394.95	3,945.00
October	4,388.00	3,967.00	4,400.00	3,958.00
November	4,574.00	4,122.00	4,577.55	4,115.90
December	4,750.00	4,200.00	4,762.15	4,200.00

ix) Stock Performance

The performance of the Company’s shares relative to the BSE SENSEX and BSE SENSEX 200 for the year 2019 is given below:

Schaeffler India versus BSE SENSEX and BSE SENSEX 200 (January-December 2019)



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, 6136000
 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 was possible in physical as well as dematerialised form only till March 31, 2019. Shares that were sent for transfer in physical form till March 31, 2019 were 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.

Effective April 1, 2019, as per SEBI Notification No. SEBI/LAD-NRO/GN/2018/24 dated June 8, 2018 and further amendment vide Notification No. SEBI/LAD-NRO/GN/2018/49 dated November 30, 2018, requests for effecting transfer of securities (except in case of transmission or transposition of securities) are not processed unless the securities are held in the dematerialised form with the depositories.

With an intention to expedite the process of share transfer / transmission, the Board of Directors has delegated authority in favour of Key Managerial Personnel, up to 5,000 shares per application. Further, the Board of Directors has delegated authority w.r.t. approval for issue of duplicate share certificates in lieu of lost/misplaced certificates, in favour of Stakeholders’ Relationship Committee.

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) Regulations, 2018, 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 amount of dividend remaining unpaid or unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account, shall be transferred to the Investor Education and Protection Fund (IEPF), a fund constituted by the Government of India under Section 125 of the Companies Act, 2013.

The due dates for transfer of unclaimed / unpaid dividend to IEPF are as under:

Dividend for year ended	Details of unclaimed and unpaid dividend		
	Date of declaration of dividend	Amount due for transfer to IEPF on	Amount lying unpaid (₹) as on 31.12.2019
31.12.2012	25.04.2013	26.05.2020	473,225.00
31.12.2013	24.04.2014	26.05.2021	535,308.00
31.12.2014	24.04.2015	31.05.2022	615,525.00
31.12.2015	27.04.2016	30.05.2023	845,840.00
31.12.2016	21.04.2017	28.05.2024	972,708.50
31.12.2017	17.04.2018	24.05.2025	1,394,476.45
31.12.2018	30.04.2019	06.06.2026	1,645,830.27
Total amount lying unpaid as on December 31, 2019			6,482,913.22

xiii) Distribution of Shareholding

Distribution of Shareholding	As on December 31, 2019			As on December 31, 2018		
	No. of Shareholders ¹	No. of Shares held	% to Total Shares	No. of Shareholders ¹	No. of Shares held	% to Total Shares
1 - 50	17,455	189,823	0.61	11,922	142,765	0.46
51 - 100	1,447	118,051	0.38	1,388	113,753	0.36
101 - 250	1,037	174,055	0.56	1,007	171,302	0.55
251 - 500	487	181,051	0.58	495	183,423	0.59
501 - 1000	283	211,725	0.68	293	219,052	0.70
1001 - 5000	197	418,279	1.34	206	438,150	1.40
5001 & above	120	29,967,750	95.86	124	29,992,289	95.94
Total	21,026	31,260,734	100.00	15,435	31,260,734	100.00

¹ Number of shareholders not clubbed based on unique Permanent Account Numbers.

xiv) Category-wise summary of Shareholding [As on December 31, 2019]

Sr. No.	Category	No. of shareholders ¹	No. of shares	%
1	Promoters (Foreign entities)	4	23,172,647	74.13
2	Mutual Fund	24	4,248,653	13.59
3	Foreign Portfolio Investor (Corporate)	78	1,174,139	3.76
4	Public	17,408	1,357,930	4.34
5	Other Bodies Corporate	376	485,666	1.55
6	Others	2,594	821,699	2.63
Total		20,484	31,260,734	100.00

¹ Number of shareholders are clubbed based on unique Permanent Account Numbers.

xv) Dematerialisation of Shares and liquidity

99.68% 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, 2019.

	NSDL	CDSL	Physical	Total
Shares (Nos.)	30,698,206	463,886	98,642	31,260,734
Shares (%)	98.20	1.48	0.32	100.00

Note: 14,643,464 equity shares issued pursuant to scheme of amalgamation, to the respective shareholders (classified as promoters) of erstwhile INA Bearings India Private Limited and erstwhile LuK India Private Limited were credited in demat form of respective shareholders during the year.

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

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

The Company has adequate risk assessment and minimisation system in place including for commodities as well as foreign exchange. The foreign exchange risk is managed through the hedging strategy of the Company which is reviewed periodically. The Company does not have material exposure for any commodity and accordingly, no hedging activities for the same is carried out. Therefore, there is no disclosure to offer in terms of circular of SEBI dated November 15, 2018.

xviii) Plant Locations

The manufacturing activities are being carried out from the plants located at Maneja (Dist. Vadodara), Savli (Dist. Vadodara), Talegaon (Dist. Pune) and Hosur (Dist. Krishnagiri).

xix) 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 6681 4444 to 6681 4499
Fax: +91 22 2202 7022

Corporate Office:

15th Floor, (ASTP) Amar Sadanand Tech Park, Baner, Pune – 411 045
Phone: +91 20 68198400
E-mail: investorsupport.in@schaeffler.com

xx) 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.

12. Disclosures

- The Board has received disclosures from the Senior Management that there are no 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. The transactions with related parties as per requirements of applicable Indian Accounting Standards (Ind AS) are disclosed under notes to accounts.
- 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_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/policy_on_related_party_transactions_schaeffler_india.pdf

- ii) 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_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/vigil_mechanism_or_whistle_blower_policy_schaeffler_india_2019.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_rwd/03_worldwide_1/websites_worldwide/india_3/investor_relations/corporate_governance_1/codes_and_policies/policy_on_determination_of_material_subsidary_schaeffler_india.pdf

- ix) The Company has formulated the Dividend Distribution Policy as required under Regulation 43A of the Listing Regulations and the same is annexed as Annexure - A to this report and also available on the website of the Company.
- x) Disclosures required under the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013 have been included in the Directors' report which forms part of the Annual Report.
- xi) During the year under review, there were no instances wherein recommendation of any Committee of the Board which is mandatorily required for approval of the Board, were not accepted by the Board.
- xii) Details of total fees for all services paid by the Company to the statutory auditor and all entities in the network firm / network entity of which the statutory auditor is a part have been included in the notes to financial statements which forms part of the Annual Report.
- xiii) A Certificate required from a Practicing Company Secretary with regard to debarment / disqualification of any of the Directors on the Board of the Company from being appointed or continuing as directors of the Company by the SEBI / Ministry of Corporate Affairs or any such statutory authority is annexed as Annexure – B to this report.
- xiii) Details of utilisation of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32(7A) of the Listing Regulation: Not Applicable

13. Demat suspense account / Unclaimed suspense account

The Company has transferred shares, the certificates of which remained unclaimed to the Unclaimed Suspense Account of the Company and these shares are being held by the Company in Demat form on behalf of the beneficial owners of the said shares.

The disclosures with respect to the Unclaimed Suspense Account are as under:

Particulars	Number of Shareholders	Number of Shares
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year	40	3,380
Number of Shareholders who approached listed entity for transfer of shares from suspense account during the year	0	0
Number of Shareholders to whom shares were transferred from suspense account during the year	0	0
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	40	3,380

The voting rights on the shares in the Unclaimed Suspense Account shall remain frozen till the rightful owner of such shares claims the shares.

Adoption of Discretionary Requirements [Reg. 27(1) read with Part E of Schedule II of the Listing Regulations]

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 Auditors have issued Audit Report for the year 2019 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

Pune: February 12, 2020

Note: Members are requested to refer AGM notice for the details of AGM and Book Closure.

To,

The Members of Schaeffler India Limited

Re.: Declaration by Managing Director and CEO

I, HARSHA KADAM, Managing Director and CEO 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, 2019.

Harsha Kadam
 Managing Director and CEO
 DIN: 07736005

Pune: February 12, 2020

Dividend Distribution Policy

(Annexure - A to Corporate Governance Report)

1. Introduction

In accordance with the provisions of Regulation 43 A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 made effective from July 8, 2016, the top five hundred listed entities based on market capitalisation (calculated as on March 31 of every financial year) are required to formulate 'Dividend Distribution Policy'. The 'Schaeffler India Limited' is ranked 141 as on the effective date of regulation (published in the Official Gazette on July 8, 2016), and therefore this policy 'Dividend Distribution Policy' is formulated with an objective and scope as under. This policy will come into effect from the effective date of regulation i.e. July 8, 2016.

2. Objectives

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations with an ultimate aim to increase the value of investment made by the Shareholders. This policy is aimed for the investors to take a well informed decision for their investment based upon the Company's criteria to deal with earned/retained profits.

3. Scope

This Policy intends to bring transparency, on the basis to prevailing circumstances in the Company/ Industry – it operates, with respect to deal with distribution of earned/retained profit amongst its existing equity shareholders. This policy is and shall be governed under the applicable legal provisions viz.:

1. The Companies Act, 2013 (Chapter VIII and other applicable provisions),
2. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR),
3. The Companies (Declaration and Payment of Dividend) Rules, 2014 and
4. Any amendment therein made applicable from time to time.

4. Definitions

- 4.1 **"Act"** means the Companies Act, 2013, or any statutory modification or re-enactment thereof and includes any Rules and Regulations framed thereunder.
- 4.2 **"Audit Committee"** means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Companies Act, 2013 and read with regulation 18 of the SEBI

(Listing Obligations and Disclosure Requirements) Regulations, 2015.

- 4.3 **"Company"** means Schaeffler India Limited.
- 4.4 **"Dividend"** under Section 2(35) of the Companies Act, 2013, "Dividend" includes any 'interim dividend'. In common parlance, "dividend" means the profit of a Company, which is not retained in the business and is distributed among the shareholders in proportion to the amount paid-up on the shares held by them.
- 4.5 **"Free Reserves"** means reserves the utilisation of which is not restricted in any manner.
- 4.6 **"Interim Dividend"** means the Dividend declared in a Meeting of the Board of Directors.
- 4.7 **"Member"** means any person who agrees, either by subscribing to the Memorandum of Association of the Company or by applying in writing, to become a Member of the Company and whose name is entered either in the Register of Members of the Company or in the records of the depository as a beneficial owner in respect of the shares of the Company held by him.

5. Policy on Declaration of Dividend

The Company may declare dividend considering:

- A) **The circumstances under which its shareholders can or cannot expect dividend, which includes:**
 - i) The Company's Performance trend,
 - ii) Past years' (at least 5 years) track record of Dividend Rate, Dividend Outflow including taxes thereon,
- B) **The Company's Financial Parameters, including:**
 - i) Company's Profitability,
 - ii) Value Added,
 - iii) Earning Per Share [EPS]
 - iv) Free Cash Flow
- C) **Internal & External Factors, including:**
 - i) Business / Financial Projections for Mid Term Period,
 - ii) Unplanned Liabilities,
 - iii) Likely financial risks,
 - iv) Regulatory Changes,

**Dividend Distribution Policy
(Annexure - A to Corporate Governance Report)**

- v) Industry trend, market challenges and growth optimism

D) Mode of utilisation of retained earnings, including:

- i) Business Growth & Expansion,
- ii) Market Development,
- iii) Better Resources Utilisation,
- iv) Research & Development,
- v) Reducing Long-Term Liabilities,
- vi) Dividend

And

- E) Other parameters as decided by the Board, provided the policy is revised to the extent of incorporating those parameters and disclosed on the Company's website together with its rationale.**

6. Distribution of Dividend

A) Periodicity:

i) During the Financial Year

The Board of Directors of the Company may declare Interim Dividend during any financial year.

ii) On Completion of Financial Year

The Board of Directors of the Company may recommend a Dividend for respective financial year and may be declared in the Annual General Meeting.

B) Dividend Entitlement

The members, whose name appear in the register of members as on the record date / Book Closure, shall be entitled for the dividend.

C) Mode of Payment

The payment of the dividend would be in cash:

- i) Through electronic clearing services (local, regional or national), direct credit, real time gross settlement, national electronic funds transfer etc. for making payment of dividend. OR

- ii) Through issuance of 'payable-at-par' warrants/ cheques, in case where bank details are not available or the electronic payment instructions have failed or have been rejected by the bank,

D) Transfer to IEPF

The dividend remained unpaid and unclaimed for a period of 7 years (as per the provisions of Sections 124(5) of the Companies Act, 2013) shall be transferred to Investors Education and Protection Fund set up by the Government in that regard.

7. Policy Review/ Amendments

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

i. Statutory Updates

This Policy shall be considered as updated automatically, without any formal approval, to the extent it needs to be aligned with any change in law. An update thereon would be reported to the Board of Directors.

ii. Other updates

All major procedural updates, shall be effective only, if, those are carried out after the review and approval of the Board of Directors.

Certificate

Samdani Kabra & Associates

To the Members of Schaeffler India Limited

We have examined the compliance of the conditions of Corporate Governance by Schaeffler India Limited for the year ended December 31, 2019 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 further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Vadodara: February 12, 2020

Suresh Kumar Kabra
Partner
ACS/CP No. 9711/9927
Samdani Kabra & Associates
Company Secretaries
UDIN: A009711B000137993

Certificate of Non-Disqualification of Directors

(Annexure - B to Corporate Governance Report)

[Pursuant to Regulation 34 (3) and Schedule V Part C Clause 10 (i) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To the Members of Schaeffler India Limited

We have examined the Registers, Papers, Books, Records, Forms, Returns, Declarations, Disclosures and other related documents, of Schaeffler India Limited (the Company), having CIN: L29130MH1962PLC012340, situated at Nariman Bhavan, 8th Floor, 227 Backbay Reclamation, Nariman Point, Mumbai – 400 021, Maharashtra, India as produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para C Clause 10(i) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company, its officers and representatives, we hereby certify that none of the Directors on the Board of the Company, as stated below for the Financial Year ending on December 31, 2019, have been debarred or disqualified from being appointed or continuing as Director of the Company by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority.

Sr. No.	Name of the Director	DIN	Date of Appointment
1.	Mr. Arvind Balaji	00557711	6 Nov 2019
2.	Mr. Avinash Gandhi	00161107	20 Apr 2006
3.	Mr. Dharmesh Arora	05350121	6 Mar 2017
4.	Mr. Harsha Kadam	07736005	1 Oct 2019
5.	Mr. Jürgen Ziegler	07092477	18 Apr 2018
6.	Mr. Klaus Rosenfeld	07087975	11 Feb 2015
7.	Mr. Rakesh Jinsi	00182187	11 Feb 2015
8.	Mrs. Renu Challu	00157204	6 Nov 2014
9.	Mr. R. Sampath Kumar	00495192	21 Apr 2011
10.	Mr. Satish Patel	00690869	13 Feb 2019

During the period under review, Mr. Marcus Eisenhuth (DIN: 07904850) has resigned and Dr. Sanak Mishra (DIN: 00027288) has retired from the Board of the Company with effect from February 14, 2019 and November 6, 2019 respectively.

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these, based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Vadodara: February 12, 2020

Suresh Kumar Kabra
Partner
ACS/CP No. 9711/9927
Samdani Kabra & Associates
Company Secretaries
UDIN: A009711B000137982

Independent Auditors' Report

To the Members of Schaeffler India Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Schaeffler India Limited ("the Company"), which comprise the balance sheet as at December 31, 2019, and the statement of profit and loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at December 31, 2019, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
<p>Revenue Recognition The Company's revenue principally comprises sale of goods.</p> <p>Revenue from the sale of goods is recognised when the control of the goods is transferred to the customers, which is on dispatch/delivery in accordance with the terms of sales contracts.</p> <p>We have identified the recognition of revenue as a key audit matter since the Company has various customers with different terms of trade which increase the risk of error in the timing of revenue recognition. As the revenue is a key performance indicator of the Company, there is an inherent risk of misstatement in revenue recognition.</p> <p>Refer note 24 to the Financial Statements</p>	<p>In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> Obtain an understanding of and assessing the design, implementation and operating effectiveness of management's key internal financial controls in relation to revenue recognition. Selecting a sample of revenue transactions during the year (including year end cut off testing) and inspecting underlying customer contracts and shipping documents to identify the terms and condition relating to the transfer of control of the products sold and assessing the Company's timing of revenue recognition. Considered the adequacy of the Company's disclosures in respect of revenue.
<p>Related Party Transactions The Company's related party transactions comprises purchase and sale of goods, purchase of tangible assets, payments for royalty, information technology services and other services, interest and repayment of loan taken, guarantee commission and reimbursements.</p> <p>Each related party operates under different jurisdiction and applies its own pricing model to be compliant with the respective legal and tax (transfer pricing) framework of the respective jurisdiction.</p> <p>Transactions with related parties is a key audit matter due to quantum of transactions and also from an arm's length pricing perspective.</p> <p>Refer note 37 to the Financial Statements.</p>	<p>In view of the significance of the matter we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> Obtain an understanding of and assessing the design, implementation and operating effectiveness of management's key internal financial controls in relation to related party transactions and arm's length assessment. Evaluating the compliance with Companies Act, 2013 and Indian Transfer Pricing Regulations with respect to arm's length based on the transfer pricing documentation prepared by the Company. Evaluation of management's assessment including views from the management's tax experts on transfer pricing compliance along with the involvement of auditors' tax experts. Assessing the appropriateness and sufficiency of the disclosures on related party transactions in the financial statements.

**Independent Auditors' Report
To the Members of Schaeffler India Limited
Report on the Audit of the Financial Statements**

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143 (11) 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.
 - As required by Section 143(3) of the Act, we report that:
 - We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - 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;
 - The balance sheet, the statement of profit and loss (including other comprehensive income), the statement of changes in equity and the statement of cash flows dealt with by this Report are in agreement with the books of account;
 - In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act;
 - On the basis of the written representations received from the directors as on December 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act; and
 - With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
 - With respect to the other matters to be included in the Auditors' 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:
 - The Company has disclosed the impact of pending litigations as at December 31, 2019 on its financial position in its financial statements – Refer Note 35 to the financial statements;
 - The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts- Refer Note 36 to the financial statements;

**Independent Auditors' Report
To the Members of Schaeffler India Limited
Report on the Audit of the Financial Statements**

- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund ('IEPF') by the Company except for an amount of ₹ 247,805 pertaining to dividends related to prior years and the Company is in the process of transferring the same to IEPF; and
- iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from November 8, 2016 to December 30, 2016 have not been made in these financial statements since they do not pertain to the financial year ended December 31, 2019.

- (C) With respect to the matter to be included in the Auditors' Report under Section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No. 113327
UDIN: 20113327AAAAAJ7108

Place: Pune
Date: February 12, 2020

Annexure 'A' to the Independent Auditors' Report

December 31, 2019

(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 property, plant and equipments.
- (b) The Company has a programme of physical verification of its property, plant and equipments by which all property, plant and equipments 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 property, plant and equipments were physically verified by the management in current year and no material discrepancies were noticed on such verification.
- (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 property plant and equipment are held in the name of the Company, except in case of immovable properties of two transferor entities, which have been merged with the Company during the previous year pursuant to the Scheme of Amalgamation and their title transfer proceedings are under progress.
- (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.
- (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.
- (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 provision of Section 185 of the Companies Act, 2013 are 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 and advances given, investments made and guarantees, securities given, have been complied by the Company.
- (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.
- (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 December 31, 2019 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.
- (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, Duty of Customs, Goods and Services Tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Customs Duty, Goods and Services Tax and other material statutory dues were in arrears as at December 31, 2019 for a period of more than six months from the date they became payable.

**Annexure 'A' to the Independent Auditors' Report
December 31, 2019**

(Referred to in our report of even date)

- (c) According to the information and explanations given to us, there are no dues of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Wealth Tax, Excise Duty, Customs Duty, Value Added Tax and Goods and Services 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 (₹ in million)	Period	Forum where dispute is pending
State and Central Sales Tax Act	Duty, Interest and Penalty	0.1	2006-07	Dy. Commissioner Sales Tax
		0.2	2008-09	Sales Tax Tribunal, Chennai
		0.3	2009-10	
		0.4	2010-11	
		0.7	2011-12	
		0.6	2012-13	
		0.3	2013-14	
		0.4	2012-13	Joint Commissioner Sales Tax (A), Vadodara
		158.6	2015-16	Joint Commissioner Sales Tax (A), Haryana
		The Finance Act, 1994	Duty, Interest and Penalty	18.0
13.6	April 2013 to Dec 2014			
9.6	2008-09 to 2013-14			Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad (CESTAT)
3.3	Sep 2015 to June 2017			
2.8	Feb 2016 to June 2017			Commissioner (A), Pune
The Central Excise Act, 1944	Duty, Interest and Penalty	11.6	2009-10 to June 2011	Customs, Excise and Service Tax Appellate Tribunal, Pune (CESTAT)
		2.4	2013-14	
		2.9	2014-15	
		94.1	Oct 2011 to Sep 2016	Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad (CESTAT)
		5.6	Oct 2016 to June 2017	
		115.4	Sep 2010 to March 2012	Customs, Excise and Service Tax Appellate Tribunal, Chennai (CESTAT) and applied at Sabka Vishwas Scheme 2020
		37.4	April 2012 and May 2012	Customs, Excise and Service Tax Appellate Tribunal, Chennai (CESTAT)
Income Tax Act, 1961	Tax and interest	0.3	2004-05	Commissioner of Income Tax (Appeals)
		14.4	2012-13	
		17.6	2013-14	
		21.3	2015-16	
		14.3	2016-17	

Above amounts are net of amounts paid under protest for Sales Tax aggregating to ₹ 12.3 million, Excise Duty aggregating to ₹ 13.8 million, Service Tax aggregating to ₹ 4.1 million and for Income Tax aggregating to ₹ 539.9 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.

Place: Pune
Date: February 12, 2020

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No. 113327
UDIN: 20113327AAAAAJ7108

Annexure ‘B’ to the Independent Auditors’ Report

December 31, 2019

Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Schaeffler India Limited (“the Company”) as of December 31, 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at December 31, 2019, based on the internal financial controls with reference to financial statements 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 (the “Guidance Note”).

Management’s Responsibility for Internal Financial Controls

The Company’s management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 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 (hereinafter referred to as “the Act”).

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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 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 Company’s internal financial controls with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements include 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.

Place: Pune
Date: February 12, 2020

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For B S R & Co. LLP
Chartered Accountants
Firm Registration No: 101248W/W-100022

Nirav Patel
Partner
Membership No. 113327
UDIN: 20113327AAAAAJ7108

Balance Sheet

as at December 31, 2019

	Notes	(₹ in million)	
		2019	2018
A) ASSETS			
1 Non-current assets			
a) Property, plant and equipment	3.1	8,943.4	7,303.8
b) Capital work-in-progress	3.2	1,662.5	1,617.2
c) Other intangible assets	3.3	2.5	3.2
d) Financial assets			
(i) Loans	4	95.3	86.8
(ii) Other financial assets	4	1,391.4	505.1
e) Deferred tax assets (net)	5	235.0	324.9
f) Non-current tax assets (net)	6	814.8	893.9
g) Other non-current assets	7	660.5	301.5
Total non-current assets		13,805.4	11,036.4
2 Current assets			
a) Inventories	8	7,204.9	9,100.7
b) Financial assets			
(i) Trade receivables	9	6,319.4	7,513.3
(ii) Cash and cash equivalents	10	1,159.1	1,425.0
(iii) Bank balances other than (ii) above	11	7,194.5	7,051.0
(iv) Loans	12	78.4	43.1
(v) Other financial assets	13	244.2	338.5
c) Other current assets	14	446.4	1,165.7
Total current assets		22,646.9	26,637.3
TOTAL ASSETS		36,452.3	37,673.7
B) EQUITY & LIABILITIES			
1 Equity			
a) Equity share capital	15	312.6	312.6
b) Other equity	16	29,309.0	26,748.6
Total Equity		29,621.6	27,061.2
Liabilities			
2 Non-current liabilities			
a) Financial liabilities			
(i) Borrowings	17	-	48.7
(ii) Other financial liabilities	18	33.5	9.9
b) Provisions	19	421.4	383.6
Total non-current liabilities		454.9	442.2
3 Current liabilities			
a) Financial liabilities			
(i) Borrowings	17	-	528.7
(ii) Trade payables	20		
a) Total outstanding dues of micro enterprises and small enterprises		18.9	33.4
b) Total outstanding dues of creditors other than micro enterprises and small enterprises		4,972.6	7,844.6
(iii) Other financial liabilities	21	1,035.3	1,315.2
b) Other current liabilities	22	133.2	150.4
c) Provisions	23	186.2	150.6
d) Current tax liabilities (net)		29.6	147.4
Total current liabilities		6,375.8	10,170.3
Total Liabilities		6,830.7	10,612.5
TOTAL EQUITY AND LIABILITIES		36,452.3	37,673.7
Significant accounting policies	2		
Notes to the financial statements	3 - 48		

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

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

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

Nirav Patel

Partner

Membership No. 113327

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Director-Finance & CFO

DIN: 00690869

Harsha Kadam

Managing Director

DIN: 07736005

Chirag Shukla

Company Secretary

Place: Pune

Date: February 12, 2020

Place: Pune

Date: February 12, 2020

Statement of Profit and Loss

for the year ended December 31, 2019

	Notes	(₹ in million)	
		2019	2018
Income			
Revenue from operations	24	43,606.3	45,615.1
Other income	25	632.1	908.0
Total Income (I)		44,238.4	46,523.1
Expenses			
Cost of materials consumed	26	17,307.5	18,175.9
Purchases of stock-in-trade	27	10,030.1	12,858.8
Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	158.3	(2,299.2)
Employee benefits expense	29	3,451.7	3,178.6
Finance costs	30	34.7	70.4
Depreciation and amortisation expense	31	1,587.1	1,485.0
Other expenses	32	6,322.8	6,304.6
Total Expenses (II)		38,892.2	39,774.1
Profit before exceptional items and tax (I - II)		5,346.2	6,749.0
Exceptional items (refer Note 46)		3.4	432.0
Profit before tax		5,342.8	6,317.0
Tax expense	33		
Current tax		1,554.6	2,365.0
Deferred tax charge/(credit)		71.8	(132.5)
Tax in respect of prior years		40.0	(113.5)
Profit for the year	(A)	3,676.4	4,198.0
Other Comprehensive Income			
(i) Items that will not be reclassified subsequently to profit or loss:			
Gain / (loss) on remeasurement of post employment benefits obligation		(42.8)	14.3
Tax relating to items that will not be reclassified to profit or loss		8.3	(5.0)
(ii) Items that will be reclassified subsequently to profit or loss:			
Effective portion of gain / (loss) on hedging instruments in cash flow hedge		75.5	(87.9)
Tax relating to items that will be reclassified to profit or loss		(26.4)	30.7
Total Other Comprehensive Income for the year (net of tax)	(B)	14.6	(47.9)
Total comprehensive income for the year	(A + B)	3,691.0	4,150.1
Earnings per equity share [Nominal value of share ₹10 each]	34		
Basic (in ₹)		117.6	134.3
Diluted (in ₹)		117.6	134.3
Significant accounting policies	2		
Notes to the financial statements	3 - 48		

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

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

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

Nirav Patel

Partner

Membership No. 113327

Place: Pune

Date: February 12, 2020

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Director-Finance & CFO

DIN: 00690869

Place: Pune

Date: February 12, 2020

Harsha Kadam

Managing Director

DIN: 07736005

Chirag Shukla

Company Secretary

Cash Flow Statement

for the year ended December 31, 2019

	(₹ in million)	
	2019	2018
Cash flows from operating activities		
Net profit before tax	5,342.8	6,317.0
Adjustments:		
Depreciation and amortisation	1,587.1	1,485.0
Finance costs	34.7	70.4
Interest income	(507.2)	(652.3)
(Profit) / Loss on sale of assets (net)	(1.4)	0.9
Unrealised exchange loss / (gain) (net)	28.9	(51.2)
Bad debts written off	14.7	26.9
	1,156.8	879.7
Operating cash flow before changes in working capital	6,499.6	7,196.7
(Increase) / decrease in inventories	1,664.2	(3,138.3)
(Increase) / decrease in trade and other receivables	1,577.9	(1,498.1)
Increase / (decrease) in trade and other payables	(3,271.6)	2,163.5
(Decrease) / increase in other liabilities and provisions	260.9	(54.6)
	231.4	(2,527.5)
Cash generated from operating activities	6,731.0	4,669.2
Income tax paid (net of refunds)	(1,633.3)	(2,287.2)
(A) Net cash from operating activities	5,097.7	2,382.0
Cash flows from investing activities		
Purchase of property, plant and equipment (tangible and intangible, capital work-in-progress, capital advance and capital creditors)	(3,202.5)	(2,438.5)
Proceeds from sale of property, plant and equipment	3.9	-
Proceeds from / (investment in) bank deposits (with original maturity of more than 3 months and remaining maturity of less than 12 months)	(1,029.8)	(16.8)
Interest received	570.7	617.0
(B) Net cash used in investing activities	(3,657.7)	(1,838.3)
Cash flows from financing activities		
Finance costs paid	(34.7)	(70.4)
Proceeds from repayment of loans	35.3	4.7
Repayment of borrowings	(576.4)	(116.4)
Dividends paid on equity shares	(937.3)	(281.9)
Dividend distribution tax	(192.8)	(58.1)
(C) Net cash used in financing activities	(1,705.9)	(522.1)
Net (decrease) / increase in cash and cash equivalents (A + B + C)	(265.9)	21.6
Cash and cash equivalents at the beginning of period (see note 2 below)	1,425.0	1,403.4
Cash and cash equivalents at the end of period (see note 2 below)	1,159.1	1,425.0
	(265.9)	21.6

Cash Flow Statement

for the year ended December 31, 2019

Notes:

- The above cash flow statement has been prepared under the “Indirect Method” as set out in ‘Indian Accounting Standard (Ind AS) 7 – Statement of Cash Flow
- Cash and cash equivalents comprise of:

	2019	2018
Cheques on hand	-	4.1
With scheduled banks on:		
Current accounts	859.1	741.2
Deposit accounts (with original maturity of 3 months or less)	300.0	679.7
	1,159.1	1,425.0

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

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

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

Nirav Patel

Partner

Membership No. 113327

Place: Pune

Date: February 12, 2020

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Director-Finance & CFO

DIN: 00690869

Place: Pune

Date: February 12, 2020

Harsha Kadam

Managing Director

DIN: 07736005

Chirag Shukla

Company Secretary

Statement of Changes in Equity

for the year ended December 31, 2019

(₹ in million)

(A) Equity Share Capital

	Amount
As at January 1, 2018	166.2
Shares issued pursuant to the scheme of amalgamation (refer Note 46)	146.4
As at December 31, 2018	312.6
Changes in equity share capital	-
As at December 31, 2019	312.6

(B) Other equity

	Reserves and surplus				Other Comprehensive Income (OCI)	Share suspense account	Total
	Capital reserve	Securities premium	General reserve	Retained earnings			
As at January 1, 2018	617.8	600.0	4,218.4	17,494.7	8.1	146.4	23,085.4
Less: Issue of equity shares	-	-	-	-	-	(146.4)	(146.4)
Profit for the year	-	-	-	4,198.0	-	-	4,198.0
Other Comprehensive Income for the year	-	-	-	9.3	(57.2)	-	(47.9)
Total Comprehensive Income for the year	-	-	-	4,207.3	(57.2)	-	4,150.1
Dividends	-	-	-	(282.4)	-	-	(282.4)
Dividend distribution tax	-	-	-	(58.1)	-	-	(58.1)
As at December 31, 2018	617.8	600.0	4,218.4	21,361.5	(49.1)	-	26,748.6
Profit for the year	-	-	-	3,676.4	-	-	3,676.4
Other Comprehensive Income for the year	-	-	-	(34.5)	49.1	-	14.6
Total Comprehensive Income for the year	-	-	-	3,641.9	49.1	-	3,691.0
Issue of equity shares	-	-	-	-	-	-	-
Dividends	-	-	-	(937.8)	-	-	(937.8)
Dividend distribution tax	-	-	-	(192.8)	-	-	(192.8)
As at December 31, 2019	617.8	600.0	4,218.4	23,872.8	-	-	29,309.0

Nature and purpose of reserves:

- Capital reserve on account of Scheme of Amalgamation (refer Note 46).
- Securities premium is used to record premium received on issue of equity shares and it will be utilised in accordance with provisions of the Companies Act, 2013.
- 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 dividends and/or issue of fully paid-up shares.
- 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.
- Cash flow hedge reserve comprise of the effective portion of cumulative net change in 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 - Financial Instruments".

Significant accounting policies 2
 Notes to the financial statements 3 - 48
 The notes referred to above form an integral part of the financial statements.

As per our report of even date attached
For B S R & Co. LLP
 Chartered Accountants
 Firm's Registration No: 101248W/W-100022

Nirav Patel
 Partner
 Membership No. 113327

For and on behalf of the Board of Directors

Avinash Gandhi
 Chairman
 DIN: 00161107

Satish Patel
 Director-Finance & CFO
 DIN: 00690869

Harsha Kadam
 Managing Director
 DIN: 07736005

Chirag Shukla
 Company Secretary

Place: Pune
 Date: February 12, 2020

Place: Pune
 Date: February 12, 2020

Notes to the Financial Statements

for the year ended December 31, 2019

1. Corporate information

Schaeffler 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 Company's shares are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India. During the previous year, INA Bearings India Private Limited and LuK India Private Limited merged with the Company pursuant to a Scheme of Amalgamation.

The Company is engaged in the development, manufacturing and distribution of high-precision roller and ball bearings, engine systems and transmission components, chassis applications, clutch systems and related machine building manufacturing activities. The Company's manufacturing units are located in the State of Gujarat at Vadodara and Savli, in the State of Maharashtra at Talegoan (Pune) and in the State of Tamil Nadu at Hosur.

2. Significant accounting policies

2.1 Basis of preparation

- (i) These financial statements of Schaeffler India Limited ('the Company') have been prepared in accordance with Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

The accounting policies adopted in the preparation of these financial statements are consistent for all the periods presented.

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 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 of the Act. Based

on the nature of the products and time taken 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 deferred tax liabilities are classified as non-current assets and non-current liabilities.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires the Company's 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 judgements 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 Company's management which is in line with the useful lives as prescribed in Part 'C' of Schedule II of the Act. In cases, where the useful lives are different from those prescribed in Schedule II and in case of intangible assets, these are estimated by the Company's management based on technical advice, taking into account the nature of the asset, estimated usage of the asset, operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

Notes to the Financial Statements

for the year ended December 31, 2019

c) Current and deferred taxes

Significant management judgement 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 Company's 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 41 for details of the key assumptions used in determining the accounting of these plans.

e) Provision for inventory obsolescence

The inventories are valued at lower of cost and net realisable value after providing for cost of obsolescence wherever considered necessary. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

2.4 Property, Plant and Equipment and intangible

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.

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

Capital work-in-progress is carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are substantially ready for their intended use. Advances given towards acquisition or construction of PPE outstanding at each reporting date are disclosed as Capital Advances under "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.

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".

Intangible assets are initially recognised at cost.

Intangible assets with definite useful lives are amortised on a straight-line basis so as to reflect the pattern in which the asset's economic benefits are consumed.

Expenditure pertaining to research is expensed out as and when incurred. Expenditure incurred on development is capitalised if such expenditure leads to creation of an asset, otherwise such expenditure is charged to the statement of profit and loss.

At the time of first-time adoption of Ind AS the Company has opted to continue with the carrying value for all of its property, plant and equipment and intangible assets as recognised in financial statement prepared under previous GAAP and use the same as deemed cost in the financial statement as at the transition date i.e. January 1, 2017.

Depreciation / amortisation

- (i) Leasehold land is depreciated over the period of 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 of the Act. Useful lives are reviewed by the Company's management at each reporting date and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the revised remaining useful life.

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for the year ended December 31, 2019

- (iii) Depreciation on additions / deletions to PPE during the year is provided on 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) Intangible assets (software) are recorded at its acquisition price and amortised on the straight-line method over a period of three years.

2.5 Impairment

The carrying amounts of PPE are reviewed at each reporting 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.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset earlier.

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 realisable 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 and finished goods 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 as applicable.

Stores, spares and tools other than obsolete and slow moving items are carried at cost.

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 functional currency and foreign currency prevailing at the date of transaction.

Conversion

Foreign currency monetary items as at reporting 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 hedge to the extent that the hedges are effective, which are recognised in Other Comprehensive Income (OCI).

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 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 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.

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2.8 Operating leases

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 recognised 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

Effective April 1, 2018, Ind AS 115 – 'Revenue from contracts with customers' has replaced Ind AS 18 – 'Revenue' and Ind AS 11 – 'Construction contracts'. The Company has applied Ind AS 115 – 'Revenue from Contracts with customers' ("hereinafter referred to as Ind AS 115") effective from January 1, 2019, using modified retrospective approach for the purpose of transition. Accordingly, comparatives for the previous period have not been restated. The application of Ind AS 115 did not have any material impact on the financial results of the Company.

Revenue from sale of goods is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Company recognised revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred. The Company assesses promises in the contract that are separate performance obligations to which a portion of transaction price is allocated.

In determining the transaction price, the Company considers below, if any:

Variable consideration

This includes discounts, incentives, volume rebates, etc. It is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. It is reassessed at end of each reporting period.

Contract balances

Trade receivables: A receivable represents the Company's right to an amount of consideration that is unconditional i.e. only the passage of time is required before payment of consideration is due.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Company performs under the contract.

Significant payment terms

Generally, the Company provides credit period ranging from 60 to 75 days.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the amortised cost and at the effective interest rate applicable.

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' Group Gratuity Scheme, which is a defined benefit plan. The Company contributes to a fund maintained with Life Insurance Company (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, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognised in Other Comprehensive Income. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss.

Defined contribution plans

All other employees are covered under contributory provident fund benefit of specific percentage contribution 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.

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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 recognised in statement of profit and 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 recognised 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

Effective Interest Rate (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 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 or at 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 recognised 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 contractual terms of the financial asset give rise to cash flows on specified dates 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 recognised in OCI.

Derecognition

A financial asset is derecognised 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 recognised 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 115 – Revenue from Contracts with Customers". The Company follows the simplified approach for recognition of impairment loss allowance on receivables (net of advances). The application of the simplified

Notes to the Financial Statements

for the year ended December 31, 2019

approach does not require the Company to track changes in credit risk. As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on trade receivables. Impairment loss allowance (or reversal) during the period is recognised in the Statement of Profit and Loss. This amount is reflected under the head 'Other expenses (or other income)' 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 payables 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.

Subsequent measurement

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

Derecognition

A financial liability is derecognised 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 tax laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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 utilised.

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

At each reporting date, the Company reassesses unrecognised deferred tax assets. It recognises unrecognised 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 recognised 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 estimates required to settle the obligation at the reporting date. These are reviewed at each reporting 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

Provisions for the expected cost of warranty obligations are recognised at the time of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation.

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for the year ended December 31, 2019

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.

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 Company's management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the Company's 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 2.11 on financial instruments.

2.18 Segment Reporting - Identification of Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

2.19 Business combinations

As part of its transition to Ind AS, the Company elected to apply "Ind AS 103 - Business Combinations", to only those business combinations that occurred on or after the date of transition to Ind AS i.e. January 1, 2016. Business combinations arising from transfers of interests in entities that are under the common control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at their carrying amounts. The identity of the reserves is preserved as they appear in the financial statements of the Company in the same form in which they appeared in the financial statements of the acquired entities. The difference, if any, between the consideration and the amount of share capital of the acquired entities is treated as capital reserve. Transaction costs are expensed as they are incurred in respective periods.

2.20 Recent accounting pronouncements

Standards issued but not yet effective

In March 2019, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2019 and Companies (Indian Accounting Standards) (Second Amendment) Rules, 2019 notifying Ind AS 116 – 'Leases' and making amendments to various other Ind AS standards viz. Ind AS 12 – 'Income Taxes', Ind AS 19 – 'Employee benefits', Ind AS 23 – 'Borrowing Cost',

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Ind AS 28 – ‘Investments in Associates and Joint Ventures’, Ind AS 111 – ‘Joint Arrangements’, Ind AS 103 – ‘Business Combinations’ and Ind AS 109 – ‘Financial Instruments’. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB). The amendments are effective from accounting periods beginning on or after April 1, 2019.

Ind AS 116 – Leases

This standard will supersede Ind AS 17 – ‘Leases’. It abolishes for lessees the previous classification of leasing agreements as either operating or finance leases. Instead, Ind AS 116 introduces a single lessee accounting model, requiring lessees to recognise assets for right to use assets and lease liability representing its obligation to make lease payments. This means that leases which were previously not reported in the Balance Sheet will have to be reported in subsequent reporting periods. The depreciation expense will include amortisation of right to use asset and finance costs will include interest expense on lease liability. Ind AS 116 also provides exception from recognition of right to use asset and lease liability where lease term is less than 12 months or leases for which underlying asset is of low value. In such cases, lease payments are recognised as an expense over lease term either on straight-line basis unless another systematic basis is representative of time pattern of the user’s benefit. Likely impact on account of adoption of the standard will result into the recognition of right of use of assets and liabilities of ₹ 67.3 million.

Amendments to Ind AS 12 – Income Taxes

The amendment relating to income tax consequences of dividend clarify that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. Further, the amendment to Appendix C specifies that when an entity is uncertain how tax laws applies to a particular transaction or circumstance until the relevant tax authorities or a court takes a decision in future and it is not probable that taxation authorities may accept entities tax position then entity is required to estimate effect of such uncertain position on income tax and deferred tax. The Company does not expect any significant impact of the amendment on its financial statements.

Amendment to Ind AS 19 – Employee Benefits

The amendment clarifies that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. In addition, amendment has been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. There is no impact of the amendment on the Company’s financial statements.

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(₹ in million)

3.1 Property Plant and Equipment

	Freehold land	Leasehold land	Buildings	Plant and equipments	Furniture & fixtures	Office equipments	Vehicles	Total
Cost								
As at January 1, 2018	40.7	187.7	1,181.9	7,770.9	129.8	95.9	11.4	9,418.3
Additions	-	-	14.3	1,264.5	65.4	4.7	1.7	1,350.6
Disposals	-	-	0.4	2.3	0.4	-	0.8	3.9
As at December 31, 2018	40.7	187.7	1,195.8	9,033.1	194.8	100.6	12.3	10,765.0
Additions	-	-	661.5	2,365.6	105.9	93.2	1.2	3,227.4
Disposals	-	-	-	4.2	0.4	-	0.5	5.1
As at December 31, 2019	40.7	187.7	1,857.3	11,394.5	300.3	193.8	13.0	13,987.3
Accumulated Depreciation								
As at January 1, 2018	-	-	68.2	1,824.2	51.0	35.0	2.7	1,981.1
Depreciation for the year	-	-	48.0	1,372.5	45.0	13.2	3.4	1,482.1
Deletions	-	-	-	1.2	0.2	-	0.5	1.9
As at December 31, 2018	-	-	116.2	3,195.5	95.8	48.2	5.6	3,461.3
Depreciation for the year	-	-	57.9	1,458.3	29.6	37.7	1.6	1,585.1
Deletions	-	-	-	1.8	0.3	-	0.4	2.5
As at December 31, 2019	-	-	174.1	4,652.0	125.1	85.9	6.8	5,043.9
Net Block								
As at December 31, 2018	40.7	187.7	1,079.6	5,837.6	99.0	52.4	6.7	7,303.8
As at December 31, 2019	40.7	187.7	1,683.2	6,742.5	175.2	107.9	6.2	8,943.4

Note:

Buildings 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.

3.2 Capital work-in-progress

	Total
As at January 1, 2018	534.5
Additions	2,434.2
Deductions / Adjustments	0.9
Assets capitalised during the year	1,350.6
As at December 31, 2018	1,617.2
Additions	3,272.7
Deductions	-
Assets capitalised during the year	3,227.4
As at December 31, 2019	1,662.5

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

3.3 Intangible assets

	Software	Total
Cost		
As at January 1, 2018	10.4	10.4
Additions	1.1	1.1
Disposals	-	-
As at December 31, 2018	11.5	11.5
Additions	1.3	1.3
Disposals	-	-
As at December 31, 2019	12.8	12.8
Accumulated Amortisation	5.4	5.4
Amortisation for the year	2.9	2.9
Deletions	-	-
As at December 31, 2018	8.3	8.3
Amortisation for the year	2.0	2.0
Deletions	-	-
As at December 31, 2019	10.3	10.3
Net Block		
As at December 31, 2018	3.2	3.2
As at December 31, 2019	2.5	2.5

4. Non-current financial assets

	2019	2018
(i) Loans		
Secured, considered good	-	35.3
Less: Current portion disclosed under "Current Financial Assets - Loans" (refer Note 12)	-	(35.3)
Security deposits	95.3	86.8
Total	95.3	86.8
(ii) Other financial assets		
Bank deposits with remaining maturity of more than 12 months*	1,391.4	505.1
Total	1,391.4	505.1

* Includes deposits of ₹ 161.4 million under lein.

5. Deferred tax assets / (liabilities) (net)

	2019	2018
Deferred tax liabilities		
Excess of depreciation / amortisation on property, plant and equipment under tax law over depreciation / amortisation provided in accounts	-	89.0
Effective portion of loss on hedging instruments in cash flow hedge	1.2	-
(A)	1.2	89.0
Deferred tax assets		
Excess of depreciation / amortisation on property, plant and equipment under tax law over depreciation / amortisation provided in accounts	7.5	-
Provision for employee benefits	122.1	160.7
Provision for expenses and others	87.7	179.0
Allowance for expected credit loss	18.9	47.9
Effective portion of gain on hedging instruments in cash flow hedges	-	26.3
(B)	236.2	413.9
Net deferred tax assets	(B - A)	324.9

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

Movement in deferred tax assets / (liabilities) net

	Depreciation	Provision for employee benefits	Provision for expenses and others	Allowance for expected credit loss	Effective portion of gain / (loss) on cash flow hedges	Total
As at January 1, 2018	(177.2)	170.0	115.6	62.7	(4.4)	166.7
(Charged) / credited to:						
Statement of Profit and Loss	88.2	(4.3)	63.4	(14.8)	-	132.5
Other Comprehensive Income	-	(5.0)	-	-	30.7	25.7
As at December 31, 2018	(89.0)	160.7	179.0	47.9	26.3	324.9
(Charged) / credited to:						
Statement of Profit and Loss	96.5	(46.9)	(91.3)	(29.0)	(1.1)	(71.8)
Other Comprehensive Income	-	8.3	-	-	(26.4)	(18.1)
As at December 31, 2019	7.5	122.1	87.7	18.9	(1.2)	235.0

6. Non-current tax assets (net)

	2019	2018
Advance tax recoverable (net of provisions)	814.8	893.9
Total	814.8	893.9

7. Other non-current assets

	2019	2018
VAT, excise and others receivable (paid under protest)	39.8	38.3
Stamp duty (paid under protest, refer note no. 35 d)	250.0	-
Other balance with government authorities	55.5	-
Capital advance	315.2	263.2
Total	660.5	301.5

8. Inventories

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

	2019	2018
Raw materials and components (including goods-in-transit ₹ 494.8 million; 2018: ₹ 1,124.0 million)	1,069.6	2,730.3
Work-in-progress	381.7	452.4
Finished goods	2,670.7	2,004.6
Stock-in-trade (including goods-in-transit ₹ 534.8 million; 2018: ₹ 1,584.4 million)	2,511.2	3,264.9
Stores and spares (including goods-in-transit ₹ 0.3 million; 2018: ₹ 22.9 million)	571.7	648.5
Total	7,204.9	9,100.7

The Company follows suitable provisioning norms for writing down the value of Inventories towards slow moving and non-moving inventory. As at December 31, 2019, provision for write-down of inventories to net realisable value is ₹ 704.2 million (2018: ₹ 472.6 million).

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

9. Current financial assets - Trade receivables

	2019	2018
Other than related parties	5,643.9	6,336.0
From related parties (refer Note 37)*	750.4	1,314.4
Less: Allowance for expected credit loss	(74.9)	(137.1)
	6,319.4	7,513.3
Of which;		
secured, considered good	30.6	6.9
unsecured, considered good	6,353.7	7,569.1
which have significant increase in credit risk	8.8	25.2
credit impaired	1.2	49.2
	6,394.3	7,650.4
Less: Allowance for expected credit loss	(74.9)	(137.1)
Total	6,319.4	7,513.3

*Includes receivable of ₹ 1.5 million, from a private limited companies in which an Independent Director is a Director.

The Company's exposure to credit risk and currency risk related to trade receivables are disclosed in Note 39 C.

10. Current financial assets - Cash and cash equivalents

	2019	2018
Balances with banks:		
on current accounts	859.1	741.2
on deposit accounts (with original maturity of 3 months or less)	300.0	679.7
Cheques on hand	-	4.1
Total	1,159.1	1,425.0

11. Current financial assets - Bank balances other than above

	2019	2018
Bank deposits with original maturity of more than 3 months and remaining maturity of less than 12 months*	7,188.0	7,045.0
Restricted deposits (unclaimed dividend)	6.5	6.0
Total	7,194.5	7,051.0

* Includes deposits of ₹ 278.0 million under lein.

12. Current financial assets - Loans

	2019	2018
Secured and considered good		
Current portion of loans to others (refer Note 4)	-	35.3
Security deposits	78.4	7.8
Total	78.4	43.1

13. Other financial assets

	2019	2018
Interest accrued - fixed deposits	190.6	249.2
Interest accrued - others	0.5	5.4
Derivative forward exchange contracts	4.7	-
Insurance claim receivable	48.4	83.9
Total	244.2	338.5

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

14. Other current assets

	2019	2018
Unsecured and considered good		
Other receivables - related parties (refer Note 37)	13.9	15.5
Balance with Government authorities	92.2	880.3
VAT, excise and others receivable (paid under protest)	3.2	-
Advances for supply of goods	178.2	133.1
Export incentives receivable	134.7	103.8
Advances to employees	11.5	17.8
Prepaid expenses	12.7	15.2
Total	446.4	1,165.7

15. Equity share capital

	2019	2018
Authorised capital		
125,500,000 equity shares of ₹ 10 each (2018: 20,000,000 equity shares)	1,255.0	200.0
Add: Pursuant to the Scheme of Amalgamation (refer Note 46)		
105,500,000 equity shares of ₹ 10 each	-	1,055.0
Total 125,500,000 equity shares of ₹ 10 each	1,255.0	1,255.0
Issued, subscribed and paid-up		
31,260,734 fully paid-up equity shares of ₹ 10 each (2018: 31,260,734 fully paid-up equity shares)	312.6	312.6
Total	312.6	312.6

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

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Shares outstanding at the beginning of the year	31,260,734	312.6	16,617,270	166.2
Shares issued pursuant to the scheme of amalgamation (refer Note 46)	-	-	14,643,464	146.4
Shares outstanding at the end of the year	31,260,734	312.6	31,260,734	312.6

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 at 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.

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

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

Name of Shareholders	2019		2018	
	No. of Shares held	Amount	No. of Shares held	Amount
Equity shares of ₹ 10 each fully paid-up held by				
Schaeffler Schweinfurt Beteiligungs GmbH	8,529,183	85.3	8,529,183	85.3
Schaeffler Bühl Verwaltungs GmbH	6,428,573	64.3	6,428,572	64.3
Schaeffler Verwaltungsholding Sechs GmbH	4,692,451	46.9	4,692,451	46.9
Industriewerk Schaeffler INA-Ingenieurdienst GmbH	3,522,440	35.2	3,522,439	35.2
Schaeffler Beteiligungsgesellschaft mbH*	-	-	1	0.0
Schaeffler Bühl Beteiligungs GmbH*	-	-	1	0.0
Total	23,172,647	231.7	23,172,647	231.7

(*) Represents amount less than ₹ 1,00,000

Particulars of shareholders holding more than 5% shares of a class of shares:

Name of Shareholders	2019		2018	
	No. of Shares held	% of shareholding	No. of Shares held	% of shareholding
Schaeffler Schweinfurt Beteiligungs GmbH	8,529,183	27.28%	8,529,183	27.28%
Schaeffler Bühl Verwaltungs GmbH	6,428,573	20.56%	6,428,572	20.56%
Schaeffler Verwaltungsholding Sechs GmbH	4,692,451	15.01%	4,692,451	15.01%
Industriewerk Schaeffler INA-Ingenieurdienst GmbH	3,522,440	11.27%	3,522,439	11.27%

Aggregate number of equity shares allotted as fully paid-up pursuant to contract without consideration received in cash, Bonus Shares issued and shares bought back during the period of 5 years immediately preceding the financial year:

Particulars	2019	2018
Equity shares of ₹ 10 each issued in financial year 2018 as fully paid-up equity shares to shareholders of INA Bearings India Private Limited and LuK India Private Limited pursuant to the Scheme of Amalgamation (refer Note 46)	-	14,643,464

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

16. Other equity

		2019	2018
Capital reserve		617.8	617.8
	(A)	617.8	617.8
Securities premium		600.0	600.0
	(B)	600.0	600.0
General reserve		4,218.4	4,218.4
	(C)	4,218.4	4,218.4
Retained earnings			
At the commencement of the year		21,361.5	17,494.7
Add: Net profit for the year		3,676.4	4,198.0
Remeasurements of defined benefit liability / asset (net of tax) (FVTOCI)		(34.5)	9.3
Less: Appropriations			
Dividends paid		937.8	282.4
Dividend distribution tax		192.8	58.1
	(D)	23,872.8	21,361.5
Share suspense account			
At the commencement of the year		-	146.4
Less: Issue of equity shares		-	(146.4)
	(E)	-	-
Other Comprehensive Income			
At the commencement of the year		(49.1)	8.1
Cash flow hedge reserve (FVTOCI)		49.1	(57.2)
	(F)	-	(49.1)
Total (A + B + C + D + E + F)		29,309.0	26,748.6

The following dividends were declared and paid by the Company during the year:

	2019	2018
₹ 30 per equity share (2018: ₹ 17)	937.8	282.4
Dividend distribution tax (DDT) on dividend to equity shareholders	192.8	58.1
	1,130.6	340.5

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

	2019	2018
Dividend of ₹ 35 per equity share (2018: ₹ 30 per equity share, including special one time dividend of ₹ 10)	1,094.1	937.8

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

17. Borrowings

	2019	2018
Non-current		
Loans from related parties		
Unsecured loans		
Schaeffler Bühl Verwaltungs GmbH**	-	48.7
Total	-	48.7

	2019	2018
Current		
Loans from related parties		
Unsecured loans		
Industriewerk Schaeffler INA-Ingenieurdienst GmbH*	-	480.0
Schaeffler Bühl Verwaltungs GmbH**	-	48.7
Total	-	528.7

Unsecured loans from related parties

* Indian rupee unsecured loans from related parties carry interest at 7.50% - 7.57% p.a. The loan is repayable in half yearly equal instalments from December 2017 has been fully repaid during the year.

** The Company has availed External Commercial Borrowing (ECB) from Schaeffler Bühl Verwaltungs GmbH (formerly known as LuK vermögensverwaltungsgesellschaft mbH) of USD 3,500,000 on December 23, 2014 for purchase of capital equipments. The repayment of loan commenced from March 15, 2016 onwards in 10 half yearly instalments of USD 350,000 each, at an interest rate of 2.556% p.a., has been fully repaid during the year.

Analysis of change in net debt	2018	Cash (Inflow)/ outflow	Non-cash changes (Foreign Exchange rates)	2019
Non-current borrowing (Including current maturity of non-current borrowing)	97.40	96.40	(1.00)	-
Current borrowing	480.00	480.00	-	-
Net debt	577.40	576.40	(1.00)	-

18. Other financial liabilities (non-current)

	2019	2018
Security deposits from customers / suppliers	33.5	9.9
Total	33.5	9.9

19. Provisions (Non-current)

	2019	2018
Provision for employee benefits		
Gratuity (refer Note 41)	71.3	49.3
Compensated absences	337.9	328.1
Other provisions		
Provision for other statutory matters (being litigated) *	12.2	6.2
Total	421.4	383.6

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

20. Current financial liability - Trade payables

	2019	2018
Total outstanding dues of micro and small enterprises	18.9	33.4
Total outstanding dues of creditors other than micro and small enterprises		
Other than related parties	2,493.0	3,666.9
Related parties (refer note 37)	2,479.6	4,177.7
Total	4,991.5	7,878.0

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

Particulars	2019	2018
a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year, if any:		
Principal	18.9	33.4
Interest	-	-
b) the amount of interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	-	-
d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under Section 23 of Micro, Small and Medium Enterprises Development Act, 2006.	-	-

The above information has been compiled by the Company on the basis of information made available by vendors during the year ended December 31, 2019 and year ended December 31, 2018.

The Company's exposure to currency and liquidity risks related to trade payables is disclosed in Note 39.

21. Other financial liabilities

	2019	2018
Employee liabilities:		
- Personnel cost	425.0	263.4
- Contribution to provident fund	12.4	12.7
Creditors for capital goods	415.1	291.8
Accrued expense	163.2	581.2
Derivative forward exchange contracts	-	118.8
Unclaimed dividends*	6.5	6.0
Other payables	13.1	41.3
Total	1,035.3	1,315.2

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

22. Other current liabilities

	2019	2018
Advances from customers	105.5	96.4
TDS payable	22.0	52.7
Other statutory dues	5.7	1.3
Total	133.2	150.4

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

23. Provisions (Current)

	2019	2018
Provision for employee benefits		
Current portion of compensated absences	73.0	79.5
Other provisions		
Provision for warranties*	113.2	71.1
Total	186.2	150.6

* 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 on receipt of claims.

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

	2019	2018
Warranties		
At the commencement of the year	71.1	58.1
Provision made during the year	113.6	47.1
Provision utilised during the year	(71.5)	(34.1)
At the end of the year	113.2	71.1

24. Revenue from operations

	2019	2018
Revenue from Contract with Customer		
Sale of products		
Manufactured goods	30,925.9	30,682.2
Traded goods	12,016.9	14,283.9
	42,942.8	44,966.1
Sale of services	73.3	59.7
Other operating revenues		
Export incentives	212.3	200.7
Scrap sales	377.9	388.6
Total	43,606.3	45,615.1

Revenue as per Geographical segment disclosed in note No 43

The management determines that the segment information reported under Note 43 Segment reporting is sufficient to meet the disclosure objective with respect to disaggregation of revenue under Ind AS 115 Revenue from contract with Customers. Hence, no separate disclosures of disaggregated revenues are reported.

25. Other income

	2019	2018
Interest income		
On fixed deposits	492.6	570.2
On loan and others	14.6	82.1
Provisions no longer required written-back	62.2	73.6
Other income	61.3	182.1
Profit on sale / retirement of assets (net)	1.4	-
Total	632.1	908.0

26. Cost of materials consumed*

	2019	2018
Inventory of materials at the beginning of the year	2,730.3	2,276.1
Purchases	15,646.8	18,630.1
Inventory of materials at the end of the year	1,069.6	2,730.3
Total	17,307.5	18,175.9

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

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

27. Purchases of stock-in-trade

	2019	2018
Purchase of traded goods	10,030.1	12,858.8
Total	10,030.1	12,858.8

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

	2019	2018
Increase in inventory of manufactured goods		
Opening inventory	2,004.6	1,480.0
Less: Closing inventory	2,670.7	2,004.6
(A)	(666.1)	(524.6)
Increase in inventory of traded goods		
Opening inventory	3,264.9	1,605.5
Less: Closing inventory	2,511.2	3,264.9
(B)	753.7	(1,659.4)
Increase in inventory of work-in-progress		
Opening inventory	452.4	337.2
Less: Closing inventory	381.7	452.4
(C)	70.7	(115.2)
Total (A + B + C)	158.3	(2,299.2)

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

29. Employee benefits expense

	2019	2018
Salaries, wages and incentives	2,964.6	2,734.5
Contributions to: (refer Note 41)		
- Provident fund	143.1	136.6
- Gratuity fund	46.4	44.4
- Superannuation fund	32.6	33.5
Compensated absences	45.3	13.8
Staff welfare expenses	219.7	215.8
Total	3,451.7	3,178.6

30. Finance costs

	2019	2018
Interest expense	18.5	52.6
Bank and other financial charges	5.9	5.5
Guarantee commission paid	10.3	12.3
Total	34.7	70.4

31. Depreciation and amortisation expense

	2019	2018
Depreciation on property, plant and equipment	1,585.1	1,482.1
Amortisation of intangible assets	2.0	2.9
Total	1,587.1	1,485.0

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

32. Other expenses

	2019	2018
Consumption of stores and spare parts	1,818.2	1,828.9
Power and fuel	648.9	657.3
Freight, clearing and forwarding	524.4	550.4
Rent	86.4	84.0
Repairs and maintenance		
Building	3.1	8.5
Machinery	2.4	8.5
Others	17.9	61.2
Insurance	32.1	24.8
Rates and taxes	34.2	23.1
Travelling expenses	196.7	231.0
Legal and professional fees	94.6	127.7
Payments to auditors (refer note below)	12.4	10.6
Fees for use of technology	813.4	864.4
Advertising and sales promotion	81.0	78.9
Bank charges	10.1	5.6
Telephone and other communication expenses	22.9	21.0
Printing and stationery	18.3	21.5
Bad debts written off	14.7	26.9
Loss on sale / retirement of assets (net)	-	0.9
Loss on account of foreign exchange fluctuations (net)	258.2	5.7
Warranty costs	113.6	47.1
Outside services	1,484.0	1,578.9
Corporate Social Responsibility expenditure (refer note below)	92.7	56.3
Miscellaneous expenses	62.8	475.9
Less: Capitalised for own consumption	(116.8)	(62.5)
Less: Exceptional items (merger cost) (refer Note 46)	(3.4)	(432.0)
Total	6,322.8	6,304.6

	2019	2018
Note: Payments to auditors		
As auditors		
- Statutory audit	7.3	7.3
- Limited review	2.9	2.5
- Other services	2.0	0.1
Reimbursement of expenses	0.2	0.7
Total	12.4	10.6

	2019	2018
Note: Corporate Social Responsibility expenditure		
Amount required to be spent as per Section 135 of the Act	89.1	63.7
Amount incurred during the year on:		
(i) Construction/acquisition of assets	-	-
(ii) On purpose other than (i) above	92.7	56.3
	92.7	56.3
Amount yet to be paid on:		
(i) Construction/acquisition of assets	-	-
(ii) On purpose other than (i) above	4.6	5.8
Total	4.6	5.8

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

33. Tax expense

	2019	2018
(a) Current tax		
Current tax on profit during the year	1,554.6	2,365.0
Tax in respect of prior years	40.0	(113.5)
Total current tax expense	1,594.6	2,251.5
(b) Deferred tax		
Deferred tax (credit) attributable to origination and reversal of temporary differences	71.8	(132.5)
Total tax expense	1,666.4	2,119.0
Reconciliation of effective tax rate		
Profit before tax	5,342.8	6,317.0
Current tax at the Indian tax rate of 34.94% / 25.17%	1,503.4	2,201.8
Tax adjustments of earlier years	40.0	(113.5)
Expenses allowable when paid and other timing differences	51.2	163.2
Current tax expense (A)	1,594.6	2,251.5
Deferred tax		
On WDV of property, plant and equipment	(96.5)	(88.2)
Provision for employee benefits	46.9	4.3
Provision for expenses	91.3	(63.4)
Provision for doubtful trade receivables	29.0	14.8
Effective portion of gain / (loss) on cash flow hedge	1.1	-
Deferred tax expense (B)	71.8	(132.5)
Tax expense recognised in Statement of Profit and Loss (A + B)	1,666.4	2,119.0
Tax impact recognised in Other Comprehensive Income (OCI)		
Remeasurement of defined benefits obligation	8.3	(5.0)
Effective portion of gain / (loss) on hedging instruments in cash flow hedge	(26.4)	30.7
Total	(18.1)	25.7

34. Earnings Per Share (EPS)

	2019	2018
a) Amount used as the numerator		
Profit after tax attributable to equity shareholders (₹ in million)	3,676.4	4,198.0
b) Weighted average number of equity shares used as the denominator (Nos.)*	31,260,734	31,260,734
c) Nominal value of share (in ₹)	10.0	10.0
d) Earnings per share (Basic and Diluted) (in ₹)	117.6	134.3

* Previous year 14,643,464 equity shares were issued on account of scheme of amalgamation (refer Note 15).

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

35. Contingent liabilities not provided for in respect of

	2019	2018
Claims against the Company not acknowledged as debts:		
a) Employees and ex-employees related matters:		
(i) Matters pending in labour court/ civil court/ High Court for reinstatement of service/recovery of salary	101.9	99.6
(ii) Demand for discontinuing of contract system and for differential wages	12.7	12.7
	114.6	112.3
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 various assessment years.	15.2	40.7
(ii) Excise duty and Service tax:		
In respect of matters decided against the Company, for which the Company is in appeal with higher authorities	134.1	139.9
	149.3	180.6
c) Income tax:		
i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.	67.2	497.2
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
	67.2	508.8
In respect of above matters, it is not practicable for the Company to estimate the closure of these issues and consequential timing of cash flows, if any.		
d) Others:		
Demand notice for stamp duty on Order of Hon'ble National Company Law Tribunal, Mumbai Bench, approving the Scheme of Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the Company, for which the Company is in appeal with higher authorities.	250.0	250.0
	250.0	250.0

36. Commitments

	2019	2018
a) Contracts on capital account:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance)	2,278.7	2,917.3
b) Lease commitments:		
Minimum lease payments under non-cancellable operating leases		
Within one year	76.0	7.4
Later than one year but less than 5 year	225.1	5.8
	301.1	13.2

Operating lease payment recognised in the Statement of Profit and Loss amounting to ₹ 86.4 million (2018: ₹ 84.0 million).

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

37. 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:

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.

2019	2018
Ultimate holding Company	Ultimate holding Company
INA Holding Schaeffler GmbH & Co. KG, Germany	INA Holding Schaeffler GmbH & Co. KG, 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 Trading (Shanghai) Co. Ltd., China
Schaeffler (Ningxia) Co., Ltd., China	Schaeffler (Nanjing) Co. Ltd., China
Schaeffler Friction Products (Suzhou) Co., Ltd., China	Schaeffler (Ningxia) Co. Ltd., China
Schaeffler (Nanjing) Co., Ltd., China	Schaeffler Holding (China) Co. Ltd., China
Schaeffler Holding (China) Co., Ltd., China	Schaeffler Friction Products (Suzhou) Co., Ltd., China
Schaeffler (Xiangtan) Co., Ltd., China	Schaeffler Middle East FZE, Dubai
Schaeffler France SAS, France	Schaeffler France SAS, France
Schaeffler Chain Drive Systems SAS, France	Schaeffler Chain Drive Systems SAS, France
WPB Water Pump Bearing GmbH & Co. KG, Germany	Schaeffler Technologies AG & Co. KG, Germany
Schaeffler Technologies AG & Co. KG, Germany	Schaeffler AG, Germany
Schaeffler Automotive Buehl GmbH & Co. KG, Germany (formerly known as LuK GmbH & Co. KG,)	Schaeffler Elfershausen AG & Co. KG, Germany
Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany	Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany
Schaeffler AG, Germany	FAG Industrial Services GmbH, Germany
LuK Truckparts GmbH & Co. KG, Germany	LuK Truckparts GmbH & Co. KG, Germany
Schaeffler Engineering GmbH, Germany	LuK GmbH & Co. KG, Germany
Schaeffler Monitoring Services GmbH, Germany (formerly known as FAG Industrial Services GmbH,)	WPB Water Pump Bearing GmbH & Co. KG, Germany
Schaeffler Friction Products GmbH, Germany	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany
LuK Unna GmbH & Co. KG, Germany	LuK Unna GmbH & Co. KG, Germany
Schaeffler Schweinfurt Beteiligungs GmbH, Germany	Schaeffler Schweinfurt Beteiligungs GmbH, Germany (formerly known as FAG Kugelfischer GmbH)
Schaeffler Bühl Verwaltungs GmbH, Germany	Schaeffler Verwaltungsholding Sechs GmbH, Germany (formerly known as INA Beteiligungsverwaltungs GmbH)
Schaeffler Verwaltungsholding Sechs GmbH, Germany	Schaeffler Bühl Verwaltungs GmbH, Germany (formerly known as LuK Vermögensverwaltungsgesellschaft mbH)
Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	Schaeffler Beteiligungsgesellschaft mbH, Germany
Schaeffler Beteiligungsgesellschaft mbH, Germany	Schaeffler Bühl Beteiligungs GmbH, Germany
Schaeffler Bühl Beteiligungs GmbH, Germany	Schaeffler Friction Products GmbH, Germany
Schaeffler Hong Kong Company Limited, Hong Kong	Schaeffler Schweiz GmbH, Switzerland
Schaeffler Savaria Kft., Hungary	Schaeffler Hong Kong Company Ltd, Hong Kong
Schaeffler Bearings Indonesia, PT, Indonesia	Schaeffler Savaria Kft., Hungary
Schaeffler Japan Co., Ltd., Japan	Schaeffler Bearings Indonesia, PT, Indonesia
Schaeffler Ansan Corporation, Korea	Schaeffler Water Pump Bearing Italia S.r.l., Italy
Schaeffler Korea Corporation, Korea	Schaeffler Japan Co. Ltd. Japan
Schaeffler Mexico, S. de R.L. de C.V., Mexico	Schaeffler Korea Corporation, Korea
Schaeffler Transmisión, S. de R.L. de C.V., Mexico (formerly known as LuK Puebla, S. de R.L. de C.V.)	Schaeffler Ansan Corporation, Korea
Schaeffler Mexico Servicios, S. de R.L. de C.V., Mexico	LuK Puebla, S. de R.L. de C.V., Mexico
Radine B.V., Netherlands	Schaeffler Mexico, S. de R.L. de C.V., Mexico

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(₹ in million)

2019	2018
Schaeffler Philippines Inc., Philippines	Schaeffler Mexico Services, S. de R.L. de C.V., Mexico
Schaeffler Portugal, Unipessoal, Lda., Portugal	Schaeffler Automotive Aftermarket Mexico, S. de R.L. de C.V., Mexico
Schaeffler Romania S.R.L., Romania	Schaeffler Nederland B.V., Netherlands
Schaeffler (Singapore) Pte. Ltd., Singapore	Schaeffler Philippines Inc., Philippines
Schaeffler Kysuce, spol. s r.o., Slovakia	Schaeffler Portugal Unipessoal Lda., Portugal (formerly known as Schaeffler Portugal S.A.)
Schaeffler Skalica, spol. s r.o., Slovakia	SC Schaeffler Romania S.R.L., Romania
Schaeffler South Africa (Pty.) Ltd., South Africa	Schaeffler (Singapore) Pte. Ltd., Singapore
Schaeffler Schweiz GmbH, Switzerland	Schaeffler Kysuce, spol. s.r.o., Slovakia
Schaeffler (Thailand) Co., Ltd., Thailand	Schaeffler Skalica, spol. s.r.o., Slovakia
Schaeffler Manufacturing (Thailand) Co., Ltd., Thailand	Schaeffler South Africa (Pty.) Ltd., South Africa
Schaeffler (UK) Limited, UK	Schaeffler Schweiz GmbH, Switzerland
The Barden Corporation (UK) Ltd., UK	Schaeffler (Thailand) Co. Ltd., Thailand
Schaeffler Group USA, Inc., USA	Schaeffler Manufacturing (Thailand) Co. Ltd., Thailand
Schaeffler Transmission, LLC, USA	Schaeffler Group USA Inc., USA
Schaeffler Transmission Systems, LLC, USA	Schaeffler Transmission Systems, LLC, USA
Schaeffler Vietnam Co., Ltd., Vietnam	Schaeffler (UK) Ltd. UK
	The Barden Corporation (UK) Ltd., UK
	Schaeffler Vietnam Co. Ltd., Vietnam

Key Management Personnel	Key Management Personnel
Mr. Harsha Kadam, Managing Director (with effect from October 1, 2019 onwards)	Mr. Dharmesh Arora, Managing Director
Mr. Sathish Patel, Director Finance & CFO	
Mr. Dharmesh Arora, Managing Director (up to September 30, 2019)	

3. Transactions with related parties during the year:

Nature of transactions	Fellow subsidiaries/ Affiliates	Key Management Personnel	Total
Purchase of finished goods	7,983.5 (9,256.4)	-	7,983.5 (9,256.4)
Purchase of raw materials and components and spares	3,751.3 (5,213.8)	-	3,751.3 (5,213.8)
Purchase of tangible assets	932.5 (286.0)	-	932.5 (286.0)
Fees for use of technology / trademark	808.0 (864.2)	-	808.0 (864.2)
Travelling, training, testing, support fee and other cost	232.8 (179.4)	-	232.8 (179.4)
Dividend for the year -2017	695.1 (145.0)	-	695.1 (145.0)
SAP, other IT systems and connectivity cost	305.0 (437.4)	-	305.0 (437.4)
Expat cost	12.5 (26.3)	-	12.5 (26.3)
Commission on guarantee	10.3 (18.2)	-	10.3 (18.2)
Interest on loan taken	18.5 (43.8)	-	18.5 (43.8)

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

Nature of transactions	Fellow subsidiaries/ Affiliates	Key Management Personnel	Total
Loan repayment	577.4	-	577.4
	(127.9)	-	(127.9)
Sale of finished goods	4,339.6	-	4,339.6
	(4,440.3)	-	(4,440.3)
Reimbursement of expenses	64.3	-	64.3
	(32.4)	-	(32.4)
Service income	5.1	-	5.1
	(2.5)	-	(2.5)
Managerial remuneration*	-	58.3	58.3
	-	(36.3)	(36.3)
Issuance of equity shares	-	-	-
	(146.4)	-	(146.4)

* 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.

4. Balances outstanding as at December 31, 2019:

Nature of Transaction	Fellow subsidiaries / Affiliates
Trade receivables	
Schaeffler Technologies AG & Co. KG, Germany	257.3
	(669.3)
Schaeffler Trading (Shanghai) Co. Ltd., China	183.8
	(120.2)
Others	309.3
	(524.9)
Trade payables	
Schaeffler Technologies AG & Co. KG, Germany	1,967.8
	(3,269.2)
Others	511.8
	(908.5)
Other receivables	
Schaeffler Technologies AG & Co. KG, Germany	4.3
	(6.4)
Schaeffler Manufacturing (Thailand) Co. Ltd., Thailand	3.4
	-
Schaeffler Group USA Inc., USA	2.4
	(3.1)
Others	3.8
	(6.0)
Loans payable	
Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	-
	(480.0)
Schaeffler Bühl Verwaltungs GmbH, Germany	-
	(97.4)

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ 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	5,925.2
		(7,195.5)
Purchase of raw material and components and spares	Schaeffler Technologies AG & Co. KG, Germany	2,330.0
	Schaeffler (China) Co. Ltd., China	(2,846.0)
		458.6
		(674.0)
Purchase of tangible assets	Schaeffler Technologies AG & Co. KG, Germany	358.6
		(78.2)
	Schaeffler (China) Co. Ltd., China	445.8
		(80.0)
Sale of finished goods	Schaeffler Technologies AG & Co. KG, Germany	1,172.1
		(1,381.0)
	Schaeffler Trading(Shanghai) Co. Ltd., China	951.1
		(842.1)
Fees for use of technology / trademark	Schaeffler Technologies AG & Co. KG, Germany	807.6
		(861.3)
SAP, other IT systems and connectivity cost	Schaeffler Technologies AG & Co. KG, Germany	305.0
		(436.3)
Travelling, training, testing, support fee and other cost	Schaeffler Technologies AG & Co. KG, Germany	76.6
		(84.6)
	Schaeffler Japan Co. Ltd., Japan	61.5
		(39.9)
	Schaeffler Brasil Ltda., Brazil	28.0
		(0.3)
Expat cost	Schaeffler Technologies AG & Co. KG, Germany	8.9
		(13.9)
	Schaeffler Japan Co. Ltd., Japan	3.6
		(8.0)
Commission on guarantee	Schaeffler AG, Germany	10.3
		(18.2)
Interest on loan taken	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	17.8
		(40.7)
Loan repayment	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	480.0
		(80.0)
	Schaeffler Bühl Verwaltungs GmbH, Germany	97.4
		(47.9)
Reimbursement of expenses	Schaeffler Technologies AG & Co. KG, Germany	43.4
		(18.3)
	Schaeffler Manufacturing (Thailand) Co. Ltd., Thailand	7.3
		(5.9)
Service income	Schaeffler Kysuce, spol. s.r.o., Slovakia	3.4
		-
	Schaeffler Brasil Ltda., Brazil	1.7
		-
Managerial remuneration	Mr. Harsha Kadam	7.8
		-
	Mr. Satish Patel	13.0
		-
	Mr. Dharmesh Arora	37.5
		(36.3)
Dividend paid	Schaeffler Schweinfurt Beteiligungs GmbH, Germany	255.9
		(145.0)
	Schaeffler Bühl Verwaltungs GmbH, Germany	192.9
		-

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for the year ended December 31, 2019

(₹ in million)

Nature of Transactions	Fellow subsidiary / Affiliates	Amount
	Schaeffler Verwaltungsholding Sechs GmbH, Germany	140.8
		-
	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	105.7
		-
Issuance of equity shares	Schaeffler Bühl Verwaltungs GmbH, Germany	-
		(64.3)
	Schaeffler Verwaltungsholding Sechs GmbH, Germany	-
		(46.9)
	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	-
		(35.2)

Numbers in brackets represents previous year numbers.

Terms and conditions with related parties.

The sales to and purchases from related parties including fixed Assets and other expenses are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

During the year company has repaid borrowings from related parties.

38. 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 Loss ₹ NIL million (2018: Loss ₹ 75.5 million) on the Balance Sheet has been recognised in Cash Flow Hedge Reserve.

Outstanding derivative instruments

Category	Currency hedged	2019		2018	
		Notional amount in foreign currency	Equivalent amount (₹ in million)	Notional amount in foreign currency	Equivalent amount (₹ in million)
Forward exchange contracts					
(to hedge highly probable import payables)	USD	-	-	16,020,000	1,115.6
	EUR	13,050,000	1,045.5	31,410,000	2,505.2

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

	Maturity			
	2019		2018	
	1-6 months	6-12 months	1-6 months	6-12 months
Foreign currency risk				
Forward exchange contracts				
Net exposure (₹ in million)	1,045.5	-	2,175.4	1,445.4
Average ₹: USD forward contract rate			71.8	73.2
Average ₹ : EUR forward contract rate	80.4		84.6	87.4

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

Foreign currency exposures as at December 31, 2019:

Particulars	Currency	Amount in foreign currency	Equivalent amount
Trade Payables	USD	10,137,093.7	723.2
		(17,477,015.5)	(1,217.1)
	EUR	17,575,946.9	1,408.2
		(27,609,979.5)	(2,202.2)
	CHF	127,347.9	9.4
		-	-
	JPY	3,583,478.0	2.4
	(993,492.0)	(0.6)	
	CNY	13,247,813.8	135.8
		(28,102,774.1)	(284.5)
	GBP	-	-
		(2,675.3)	(0.2)
Trade Receivables	USD	7,322,896.5	522.5
		(9,787,998.2)	(681.6)
	EUR	3,063,237.7	245.4
		(8,538,668.7)	(680.8)
Advances to Suppliers	USD	385,829.3	27.5
		(322,097.7)	(22.4)
	EUR	3,014,427.8	241.5
		(623,931.8)	(49.8)
	GBP	980.1	0.1
		(980.1)	(0.1)
	AUD	5,496.1	0.3
		(5,496.1)	(0.3)
	CHF	-	-
		(1,136.3)	(0.1)
Bank balance in EEFC accounts	USD	3,378,312.7	241.0
		(1,103,855.9)	(76.8)
	EUR	1,026,363.7	82.1
		(1,074,425.2)	(85.7)
External commercial borrowings	USD	-	-
		(1,400,000.0)	(97.5)

Numbers in brackets represents previous year numbers.

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

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

	2019	2018
Financial assets		
Trade receivables		
USD	522.5	681.6
EUR	245.4	680.8
Bank Balances in EEFC account		
USD	241.0	76.8
EUR	82.1	85.7
Total Exposure to foreign currency assets	1,091.0	1,524.9

	2019	2018
Financial liabilities		
Trade payables		
USD	723.2	1,217.1
EUR	1,408.2	2,202.2
CHF	9.4	-
JPY	2.4	0.6
CNY	135.8	284.5
GBP	-	0.2
External commercial borrowings		
USD	-	97.5
Total Exposure to foreign currency liabilities	2,279.0	3,802.1

39. Financial risk management

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

- market risk [refer 39 (A) below]
- liquidity risk [refer 39 (B) below]
- credit risk [refer 39 (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 realisable 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.

(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).

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

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 imports being higher than exports. The risk of foreign currency fluctuation is mitigated through hedging. Please refer Note 38 for details of foreign currency exposure.

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

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	
		2019	2018
USD	+ 5%	2.0	(27.8)
	- 5%	(2.0)	27.8
EUR	+ 5%	(54.0)	(71.8)
	- 5%	54.0	71.8
CHF	+ 5%	(0.5)	0.0
	- 5%	0.5	0.0
JPY	+ 5%	(0.1)	(0.0)
	- 5%	0.1	0.0
CNY	+ 5%	(6.8)	(14.2)
	- 5%	6.8	14.2
GBP	+ 5%	-	(0.0)
	- 5%	-	0.0

(ii) Interest rate risk

The Company has granted loans to third party. 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's borrowings comprise of fixed rate loan from the related parties. The terms of the agreement which approximates the prevailing market rate of interest.

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.

Notes to the Financial Statements

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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.

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows at the balance sheet date:

	Carrying amount	Less than 12 months	More than 12 months	Total
As at December 31, 2019				
Financial liabilities				
Trade payables	4,991.5	4,991.5	-	4,991.5
Security deposits from customers / suppliers	33.5	-	33.5	33.5
Employee liabilities	437.4	437.4	-	437.4
Creditors for capital goods	415.1	415.1	-	415.1
Accrued expense	163.2	163.2	-	163.2
Unclaimed dividends	6.5	6.5	-	6.5
Other payables	13.1	13.1	-	13.1
As at December 31, 2018				
Financial liabilities				
Trade payables	7,878.0	7,878.0	-	7,878.0
Borrowings	577.4	528.7	48.7	577.4
Security deposits from customers / suppliers	9.9	-	9.9	9.9
Employee liabilities	276.1	276.1	-	276.1
Creditors for capital goods	291.8	291.8	-	291.8
Accrued expense	581.1	581.1	-	581.1
Derivative forward exchange contracts	118.8	118.8	-	118.8
Unclaimed dividends	6.0	6.0	-	6.0
Other payables	41.3	41.3	-	41.3

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.

	2019		2018	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Gross carrying amount	6,229.9	164.4	7,458.4	192.0
Allowance for expected credit loss	(68.0)	(6.9)	(70.9)	(66.2)
Carrying amount of trade receivables (net)	6,161.9	157.5	7,387.5	125.8

Reconciliation of expected credit loss allowance is as follows:

As at January 1, 2019	137.1
Change in loss allowance	(62.2)
As at December 31, 2019	74.9

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

Other financial assets

The Company does not have significant credit risk from loans given considering available securities against which such loans have been given.

40. 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.

41. 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 and Superannuation Fund which are defined contribution plans. 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 ₹ 143.1 million (2018: ₹ 136.6 million) and contribution to superannuation fund for the year aggregated to ₹ 32.6 million (2018: ₹ 33.5 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 following table summarises the position of assets and obligations:

	Gratuity	
	2019	2018
Present value of funded obligations	628.6	556.2
Fair value of plan assets	557.3	506.9
(Asset)/Liability recognised in balance sheet	71.3	49.3

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	
	2019	2018
Non-current liability	71.3	49.3
Current liability	-	-
Total	71.3	49.3

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

Movement in present values of defined benefit obligations:

	Gratuity	
	2019	2018
Defined benefit obligation at January 1	556.2	519.8
Service cost	44.5	42.4
Interest cost	39.7	34.7
Actuarial (gains)/ losses recognised in Other Comprehensive Income due to:		
Change in assumptions	28.8	(29.1)
Demographic assumptions	(0.1)	8.5
Experience changes	15.1	15.5
Benefits paid / Employees contribution	(55.6)	(35.6)
Defined benefit obligation at December 31	628.6	556.2

Movement in fair value of plan assets:

	Gratuity	
	2019	2018
Fair value of plan assets at January 1	506.9	458.7
Return on plan assets recognised in other comprehensive income	1.0	9.2
Interest on plan assets	37.7	32.7
Contributions by employer	67.3	41.9
Benefits paid / Employees contribution	(55.6)	(35.6)
Fair value of plan assets at December 31	557.3	506.9

Expense recognised in the Statement of Profit and Loss:

	Gratuity	
	2019	2018
Current service cost	44.5	42.4
Interest on net defined benefit liability / (asset)	1.9	2.0
Total included in Employee benefits expense	46.4	44.4

Remeasurements recognised in other comprehensive income:

	Gratuity	
	2019	2018
Actuarial (gain)/ loss on defined benefit obligation	43.9	(5.10)
Return on plan assets excluding interest income	(1.0)	(9.20)
	42.9	(14.30)

Principal actuarial assumptions at the balance sheet date:

	Gratuity	
	2019	2018
Discount rate per annum as at December 31	6.70%	7.90%
Expected return per annum on plan assets as at December 31	6.70%	7.90%
Future salary increment	6.50%	6.50%
Retirement age	58 Years	58 Years
Mortality	Indian Assured Lives Mortality (2012-14) Ult table	Indian Assured Lives Mortality (2006-08) Ult table
Attrition rate	6%- 13%	6%- 13%

At December 31, 2019, the weighted-average duration of the defined benefit obligation was 6.95 years (December 31, 2018: 6.22 years).

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

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

Sensitivity Analysis

The following table summarises 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:

	2019		2018	
	Increase	Decrease	Increase	Decrease
Discount rate (100 bps movement on DBO)	(6.52%)	7.45%	(5.86%)	6.63%
Salary escalation rate (100 bps movement on DBO)	7.37%	(6.57%)	6.66%	(5.98%)

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:

	2019		
	Quoted	Unquoted	Total
Insurer managed funds	-	554.0	554.0
Others	-	3.3	3.3

Maturity profile of defined benefit obligations:

Year	2019	2018
Year 1	109.3	107.9
Year 2	76.9	73.0
Year 3	70.1	67.1
Year 4	67.0	62.3
Year 5	63.1	59.8
Year 6	66.9	56.4
Year 7	50.5	63.2
Year 8	41.3	45.2
Year 9	43.5	37.8
Year 10 and above	530.4	487.7

Characteristics of defined benefit plans and risks associated with them:

Valuations of defined benefit plan are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above benefit plans which are as follows:

- (i) **Interest Rate Risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (i.e. value of defined benefit obligation).
- (ii) **Salary Escalation Risk:** The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.
- (iii) **Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.
- (iv) **Investment Risk:** The Company has funded with well established Government of India undertaking & other IRDA approved agency and therefore, there is no material investment risk.

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ 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	
	2019	2018
Financial Assets		
a) Measured at fair value through Profit or Loss (FVTPL)		
Derivative contracts not designated as cash flow hedges	4.7	-
b) Measurement at amortised cost:		
Trade receivables	6,319.4	7,513.3
Cash and cash equivalents	1,159.1	1,425.0
Bank balances other than cash and cash equivalents	7,194.5	7,051.0
Loans	173.7	129.9
Other financial assets	1,630.9	843.6
Total Financial Assets	16,482.3	16,962.8
Financial Liabilities		
a) Measured at fair value through Profit or Loss (FVTPL)		
Derivative contracts not designated as cash flow hedges	-	43.3
b) Measured at fair value through Other Comprehensive Income (OCI)		
Derivative contracts designated as cash flow hedges	-	75.5
c) Measurement at amortised cost:		
Trade payables	4,991.5	7,878.0
Borrowings	-	577.4
Other financial liabilities	1,068.8	1,206.3
Total Financial Liabilities	6,060.3	9,780.5

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.

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ 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, 2019

	Level 1	Level 2	Level 3	Total as at December 31, 2019
Financial Assets				
Derivative contracts not designated as cash flow hedges	-	4.7	-	4.7
Trade receivables	-	-	6,319.4	6,319.4
Loans	-	-	173.7	173.7
Other financial assets	-	-	1,630.9	1,630.9
Total	-	4.7	8,124.0	8,128.7
Financial Liabilities				
Derivative contracts not designated as cash flow hedges	-	-	-	-
Derivative contracts designated as cash flow hedges	-	-	-	-
Trade payables	-	-	4,991.5	4,991.5
Borrowings	-	-	-	-
Other financial liabilities	-	-	1,068.8	1,068.8
Total	-	-	6,060.3	6,060.3

December 31, 2018

	Level 1	Level 2	Level 3	Total as at December 31, 2018
Financial Assets				
Derivative contracts designated as cash flow hedges	-	-	-	-
Trade receivables	-	-	7,513.3	7,513.3
Loans	-	-	129.9	129.9
Other financial assets	-	-	843.6	843.6
Total	-	-	8,486.8	8,486.8
Financial Liabilities				
Derivative contracts not designated as cash flow hedges	-	43.3	-	43.3
Derivative contracts designated as cash flow hedges	-	75.5	-	75.5
Trade payables	-	-	7,878.0	7,878.0
Borrowings	-	-	577.4	577.4
Other financial liabilities	-	-	1,206.3	1,206.3
Total	-	118.8	9,661.7	9,780.5

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.
- All financial assets and liabilities referred in Level 3 are measured at amortised cost, their carrying amount are reasonable approximation of their fair value.

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

43. Segment reporting

(i) Information about business segments:

As per 'Ind AS 108 - Operating Segments', the Company has reported segment information under two segments i.e. 1) Mobility components and related solutions and 2) Others.

Particulars	2019	2018
(a) Segment Revenue (Net revenue / income)		
Mobility components and related solutions	35,015.9	37,732.9
Others	8,590.4	7,882.2
Revenue from operations	43,606.3	45,615.1
(b) Segment Results (Profit before finance cost, depreciation and tax)		
Mobility components and related solutions	3,640.9	5,137.6
Others	1,157.8	773.8
Total profit before finance costs and tax	4,798.7	5,911.4
Less: Finance cost	34.7	70.4
Less: Unallocable expenses	3.4	432.0
Add: Unallocable Income	582.2	908.0
Profit before tax	5,342.8	6,317.0
(c) Segment assets		
Mobility components and related solutions *	21,781.5	22,713.9
Others	2,664.3	2,824.3
Unallocated	12,006.5	12,135.5
Total assets	36,452.3	37,673.7
(d) Segment liabilities		
Mobility components and related solutions	4,639.0	6,499.4
Others	1,015.5	1,378.6
Unallocated	1,176.2	2,734.5
Total liabilities	6,830.7	10,612.5
(e) Net capital employed	29,621.6	27,061.2

* Property, plant and equipment (PPE) of the Company is predominantly used for 'Mobility solutions and related components' and hence has been disclosed as a segment asset under that reportable segment.

(ii) Secondary segment information:

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.

(a) Revenues

	2019	2018
India	39,037.5	40,968.1
Outside India	4,568.8	4,647.0
Total	43,606.3	45,615.1

(b) Non-current assets*

	2019	2018
India	12,008.9	10,119.6
Outside India	-	-
Total	12,008.9	10,119.6

*Non-current assets exclude financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contracts, if any.

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

44. Research and development expenses under the respective heads aggregate to ₹ 582.4 million (2018: ₹ 598.9 million) including of capital nature ₹ 28.5 million (2018: ₹ 42.6 million).

	2019				2018			
	Vadodara	Talegoan, Pune	Hosur	Total	Vadodara	Talegoan, Pune	Hosur	Total
Revenue expenses on research and development included under various heads of expenditure	181.5	246.1	126.3	553.9	151.8	230.4	174.1	556.3
Capital expenses on research and development capitalised along with other Fixed assets	1.9	19.5	7.1	28.5	0.5	29.2	12.9	42.6
Total	183.4	265.6	133.4	582.4	152.3	259.6	187.0	598.9

45. The tax year for the Company being the year ending March 31, 2020, provision for taxation for the year ended December 31, 2019 is aggregate of provision made for three months ended March 31, 2019 and provision based on amounts for remaining nine months ended December 31, 2019, the ultimate tax liability of which will be determined on the basis of figures for the fiscal year April 1, 2019 to March 31, 2020.

The Company's international transactions with associated enterprises are at arm's length, as per the independent accountant's report for the year ended March 31, 2019. The Management believes that the Company's international transactions with associated enterprises post March 31, 2019 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.

The Company elected to exercise the option permitted under Section 115BAA of the Income-tax Act 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 with effect from April 1, 2019. Accordingly, the Company has recognised provision for Income Tax and deferred tax expenses for the twelve months ended December 31, 2019 on the basis of estimated annual effective income tax rate.

46. Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the Company

- Previous year the Scheme of Amalgamation of INA Bearings India Private Limited ('INA') and LuK India Private Limited ('LuK') (jointly referred to as 'transferor companies') with Schaeffler India Limited ('the Scheme'), has been approved by the National Company Law Tribunal, Chennai and Mumbai Benches vide their orders dated June 13, 2018 and October 8, 2018 respectively. The Company has carried out the accounting prescribed in the Scheme and made the required disclosure for Amalgamations in the nature of merger, as required under Appendix C of Ind AS 103 Business Combinations, for Business Combinations of entities under "Common Control" and accordingly has already been given effect in the financial statements of 2018.
- In accordance with the Scheme:
The Company has taken over all the assets aggregating to ₹ 12,144.8 million liabilities aggregating to ₹ 5,845.1 million and other equity amounting to ₹ 5,540.7 million at their respective book values against capital issuance of 146.4 million to the shareholders of respective Companies as on the appointed date, the resultant surplus of ₹ 612.6 million has been credited to capital reserve.
- In terms of the Scheme, the Company has allotted 8,214,891 equity shares of ₹ 10 each to existing shareholders of INA and 6,428,573 equity shares of ₹ 10 each to existing shareholders of LuK based on share entitlement ratio as per the Scheme.
- Exceptional items pertain to provision for stamp duties, professional/consulting fees and other costs incurred pursuant to the Scheme.

Notes to the Financial Statements

for the year ended December 31, 2019

(₹ in million)

47. Revenue (Ind AS 115)

Effective from January 1, 2019, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue and Ind AS 11 Construction contracts.

A. Revenue recognised from Contract liability (Advances from Customers):

Particulars	2019	2018
Closing Contract liability	105.5	96.4

The Contract liability outstanding at the beginning of the year has been recognised as revenue during the year ended December 31, 2019.

B. Reconciliation of revenue as per contract price and as recognised in statement of profit and loss:

Particulars	2019	2018
Revenue as per Contract price	43,428.0	45,492.3
Less: Incentives and rebates	428.2	425.6
Less: Discounts	57.0	100.6
Revenue as per statement of profit and loss	42,942.8	44,966.1

48. The financial statement are approved for issued by the Board of Directors in their meeting held on February 12,2020.

As per our report of even date attached

For B S R & Co. LLP

Chartered Accountants

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

Nirav Patel

Partner

Membership No. 113327

Place: Pune

Date: February 12, 2020

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Director-Finance & CFO

DIN: 00690869

Place: Pune

Date: February 12, 2020

Harsha Kadam

Managing Director

DIN: 07736005

Chirag Shukla

Company Secretary

Notice of AGM

To,
The Members
Schaeffler India Limited

Notice is hereby given that the 57th Annual General Meeting of SCHAEFFLER INDIA LIMITED ('Company') will be held on Tuesday, June 30, 2020 at 3:30 p.m. IST through Video Conferencing ('VC') / Other Audio Visual Means ('OAVM') to transact the following businesses:

Ordinary Business

1. To receive, consider and adopt the Financial Statements including Balance Sheet as at December 31, 2019 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 on Equity shares for the financial year ended December 31, 2019.
3. To appoint a Director in place of Mr. Jürgen Ziegler [DIN: 07092477], who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Klaus Rosenfeld [DIN: 07087975] who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and authorise Board of Directors to fix remuneration of B S R & Co. LLP, Chartered Accountants, Mumbai, (Firm Registration Number: 101248 W / W-100022) from the conclusion of 57th Annual General Meeting ('AGM') up to conclusion of 58th AGM.

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

RESOLVED THAT pursuant to provisions of Section 139 of the Companies Act, 2013 read with the rules made thereunder, B S R & Co. LLP, Chartered Accountants [Firm Registration Number: 101248W / W-100022], who have confirmed their eligibility for appointment, be and is hereby appointed as the Statutory Auditors of the Company for a term of one year from conclusion of the 57th Annual General Meeting up to the conclusion of 58th Annual General Meeting of the Company.

RESOLVED FURTHER THAT pursuant to the provisions of Section 142 and other applicable provisions, if any, of the Companies Act, 2013 including any modification(s) or amendment thereof, the Board of Directors of the Company be and is hereby authorised to decide and fix the remuneration of B S R & Co. LLP, Chartered Accountants, Mumbai (Firm Registration Number: 101248 W / W-100022), as Statutory Auditors of the Company for the year 2020.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds,

matters and things, necessary and expedient to give effect to the resolution.

Special Business

6. Appointment of Mr. Harsha Kadam (DIN: 07736005) 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 and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Mr. Harsha Kadam [DIN: 07736005] 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.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, matters and things, necessary and expedient to give effect to the resolution.

7. Appointment of Mr. Harsha Kadam (DIN: 07736005) as Managing Director

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

RESOLVED THAT pursuant to provisions of Sections 196, 197, 198, 203, Schedule V and other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment thereof, for the time being in force) the appointment of Mr. Harsha Kadam [DIN: 07736005], as Managing Director by the Board of Directors be and is hereby confirmed for a period of five years with effect from October 1, 2019 on the terms and conditions as agreed between the Company and Mr. Kadam and whose office shall not be liable to retirement by rotation.

RESOLVED FURTHER THAT in accordance with the provisions of Sections 196, 197 and other applicable provisions, if

any, read with Schedule V of the Act and subject to other consents, if any, the approval of the Company be and is hereby accorded to appointment of Mr. Harsha Kadam at such remuneration and perquisites for the year 2019 and further increase by way of annual increment, as the Board may think fit, within the overall remuneration limit of the Managing Director for the period up to and including 2024 as per details given below:

Particulars	(Amount in ₹ million p.a.)	
	Effective October 1, 2019 for year 2019 and 2020	Maximum up to September 30, 2024
Fixed Base Salary	10.9	17.1
Short-Term Bonus (STB)	6.2	9.8
Long-Term Bonus (LTB)	6.2	9.8
House Rent Allowance (HRA)	4.4	6.8
Perquisites/Allowances	1.6	2.5
Company's contributions to funds	1.8	2.9
Total Cost to the Company	31.1	48.9

Mr. Harsha Kadam shall be entitled to receive other benefits as under:

- Travelling and out of pocket expenses in accordance with the Rules of the Company.
- Leave during the course of employment as per the Rules of the Company.
- Personal accidental and life insurance coverage according to Rules of the Company.

RESOLVED FURTHER THAT where in any financial year during the tenure of Mr. Harsha Kadam as Managing Director, the Company incurs a loss or its profit are inadequate, the Company shall continue to pay to Mr. Harsha Kadam, the remuneration drawn during such financial year, as a "minimum remuneration" subject to the limits and conditions specified in Schedule V of the Act and rules made thereunder or such other limits as may be prescribed by the Central Government and subject to such approvals as may be required from time to time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, matters and things, necessary and expedient to give effect to the resolution.

- Appointment of Mr. Arvind Balaji (DIN: 00557711) 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 149, 152 of the Companies Act, 2013 ("Act") read with Schedule IV and all other applicable provisions of the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 and pursuant to the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Arvind Balaji [DIN: 00557711], who has been appointed as an Additional Director of the Company by the Board of Directors with effect from November 6, 2019 in terms of Section 161 (1) of the Act and Articles of Association of the Company and who has submitted a declaration under Section 149(7) of the Act and Regulation 25(8) of the Listing Regulations that he meets the criteria for independence as provided in the Act and the Listing Regulations and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years up to November 5, 2024.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, matters and things, necessary and expedient to give effect to the resolution.

- Appointment of Mr. Amit Kalyani (DIN: 00089430) 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 149, 152 of the Companies Act, 2013 ("Act") read with Schedule IV and all other applicable provisions of the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 and pursuant to the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Amit Kalyani [DIN: 00089430], who has been appointed as an Additional Director of the Company by the Board of Directors with effect from February 11, 2020 in terms of Section 161 (1) of the Act and Articles of Association of the Company and who has submitted a declaration under Section 149(7) of the Act and Regulation 25(8) of the Listing Regulations that he meets the criteria for independence as provided in the Act and the Listing Regulations and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years up to February 10, 2025.

Notice of AGM

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts, deeds, matters and things, necessary and expedient to give effect to the resolution.

10. Approval for payment of commission for the year 2019 to Non-executive Directors of the Company, who are in employment of any Schaeffler Group Company

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 197 and any other applicable provisions of the Companies Act, 2013 ("Act") (including any statutory modification(s) or re-enactment thereof for the time being in force) and provisions of Regulation 17 and any other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), read with the Articles of Association of the Company and the Nomination and Remuneration Policy of the Company, the consent of the Company be and is hereby accorded to the payment of commission of ₹ 2,362,500 for the year 2019 to the Non-executive Directors who are in employment of any Schaeffler Group Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts, deeds, matters and things, necessary and expedient to give effect to the resolution.

11. Remuneration to Non-executive Directors for the year 2020 onwards

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 197 and any other applicable provisions of the Companies Act, 2013 ("Act") (including any statutory modification(s) or re-enactment thereof for the time being in force) and provision of Regulation 17 and any other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and the Articles of Association of the Company, consent of the Company be and is hereby accorded to the payment of commission to the Non-executive Directors of the Company (i.e., Directors other than the Managing Director(s) and/or Whole Time Director(s)) to be determined by the Board of Directors for each of such Non-executive Director for each financial year effective from year 2020, within the maximum limit of 0.5% (half a percent) per annum, of the net profits of the Company to be calculated in accordance with the provisions of Section 198 of the Act.

RESOLVED FURTHER THAT the above remuneration shall be in addition to the fees payable to the director(s) for attending the meetings of the Board or Committee(s) thereof or for any other purpose whatsoever as may be decided by the Board of Directors and reimbursement of expenses for participation in the Board and other meetings.

RESOLVED FURTHER THAT approval of the Company be and is hereby accorded to the Board of Directors to determine the manner, rate and quantum of remuneration for each individual Non-executive Director who is entitled to receive such remuneration based upon performance evaluation, criteria set forth in the Nomination and Remuneration Policy and recommendations of the Nomination and Remuneration Committee, and to do all such acts, deeds, things and to take all such steps as may be required in this regard.

12. To ratify remuneration of 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 thereof, for the time being in force), the remuneration of ₹ 225,000 (Rupees Two Hundred Twenty Five Thousand) excluding all taxes and reimbursement of out of pocket expenses to M/s. Y. S. Thakar & Co., Cost Accountants having Firm Registration No. 000318, appointed by the Board of Directors as Cost Auditors to conduct the audit of the cost records of the Company for the financial year ending December 31, 2020, be and is hereby ratified.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts, deeds, matters and things, necessary and expedient to give effect to the resolution.

By Order of the Board

Ashish Tiwari

VP - Legal & Company Secretary

Pune: June 2, 2020

Schaeffler 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. In view of the continuing restrictions placed due to Covid-19 pandemic, the Ministry of Corporate Affairs ('MCA') vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as 'MCA Circulars') allowed to hold the Annual General Meeting (AGM) through Video Conferencing (VC) / Other Audio Visual Means (OAVM), without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ('Act'), Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and MCA Circulars, the AGM of the Company is being held through VC / OAVM. The deemed venue for the 57th AGM shall be the Registered Office of the Company.
2. In terms of the MCA Circulars, the physical attendance of Members has been dispensed with and there is no requirement of appointment of proxies. Accordingly, the facility for appointment of proxies by the Members will not be available for the Annual General Meeting and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
3. Corporate members intending to appoint their authorized representatives pursuant to Section 113 of Act are requested to send to the Company a scanned copy (PDF/ JPG format) of certified Board resolution authorizing their representatives to attend the AGM through VC and vote on their behalf through remote e-Voting or voting at the AGM. The said Resolution shall be sent to the Scrutinizer by email through its registered email address to samdanics@gmail.com with a copy marked to evoting@nsdl.co.in.
4. Pursuant to Section 91 of the Companies Act, 2013, the Register of Members and the Share Transfer Books of the Company shall remain closed from June 23, 2020 to June 30, 2020 (both days inclusive) to determine entitlement of dividend on equity shares.
5. The Dividend on Equity shares as recommended by the Board of Directors and if declared at the AGM, 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 June 23, 2020.
 - b) To all Members in respect of shares held in Physical Form as per the Register of Members of the Company on the close of business hours on June 23, 2020.
6. 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 ('IEPF') established by the Central Government. Members who have not yet encashed their dividend warrant(s) pertaining to the dividend for the Financial Year 2012 onwards, are requested to lodge their claims with the Company or with the Registrar and Share Transfer Agent ('RTA') of the Company at the earliest.
7. 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 ('IEPF Rules'), 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 IEPF. The said Shares, once transferred to IEPF can be claimed after following due procedure prescribed under the IEPF Rules.
8. The Statement of Dividend Amount remained unclaimed and unpaid for 7 consecutive years and Shares due for transfer to IEPF shall be placed on the website of the Company at <https://www.schaeffler.co.in>; Members are therefore requested to approach the RTA of the Company to claim their unpaid dividend, if any.

As per SEBI Notification No. SEBI/LAD-NRO/GN/2018/24 dated June 8, 2018 and further amendment vide Notification No. SEBI/LAD-NRO/GN/2018/49 dated November 30, 2018, requests for effecting transfer of securities (except in case of transmission or transposition of securities) shall be processed from April 1, 2019 only in the dematerialized form. Therefore, the Members are requested to take prompt action to dematerialize the Equity Shares of the Company.
9. 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, B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara-390020, Gujarat, India quoting their folio number.
10. As per the MCA Circulars and SEBI Circular no SEBI/HO/CFD/ CMD1/CIR/P/2020/79 dated May 12, 2020, Notice of the AGM along with the Annual Report 2019 is being sent only through email to those Members whose email IDs are registered with the Company/Depositories. Members may note that the Notice of AGM and Annual Report 2019 is available on the Company's website (<http://www.schaeffler.co.in/content.schaeffler.co.in/en/investor-relations/financials/annual-reports/index.jsp>), websites of the Stock Exchanges i.e. BSE Limited (www.bseindia.com).

Notice of AGM

com) & National Stock Exchange of India Limited (www.nseindia.com) and on the website of NSDL (www.evoting.nsdl.com).

11. Voting through Electronic means

In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, as amended and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), Members are provided with the facility to cast their votes electronically, through the e-voting services provided by National Securities Depository Limited (NSDL), on all the resolutions set forth in this Notice.

The Company has appointed Mr. Suresh Kumar Kabra, Partner of Samdani Kabra & Associates, Company Secretaries, Vadodara as scrutinizer for conducting the e-voting process in a fair and transparent manner.

The Members, whose names appear in the Register of Members / Beneficial Owners as on the record date (cut-off date) i.e. Tuesday, June 23, 2020, may cast their vote electronically. The e-voting period will commence from Saturday, June 27, 2020 at 9:00 a.m. (IST) and will end at 5:00 p.m. (IST) on Monday, June 29, 2020. The e-voting module will be disabled on June 29, 2020 at 5:00 p.m. (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 June 23, 2020.

The Members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again

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, June 23, 2020, may obtain User ID and password by sending a request to the RTA i.e. M/s. Link Intime India Private Limited, e-mail id: vadodara@linkintime.co.in. However, Members who are already registered with NSDL for e-voting, can use their existing User ID and password for casting their votes.

The instructions for shareholders voting electronically are as under:

I. The instructions for Members for remote e-voting are as under:

Step 1: Log-in to NSDL e-Voting system at <https://www.evoting.nsdl.com/>

Step 2: Cast your vote electronically on NSDL e-Voting system.

Details on Step 1 is mentioned below:

How to Log-in to NSDL e-Voting website?

1. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
--	------------------

- | | |
|--|---|
| a) For Members who hold shares in demat account with NSDL. | 8 Character DP ID followed by 8 Digit Client ID

For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****. |
| b) For Members who hold shares in demat account with CDSL. | 16 Digit Beneficiary ID

For example if your Beneficiary ID is 12***** then your user ID is 12*****. |
| c) For Members holding shares in Physical Form. | EVEN Number followed by Folio Number registered with the company

For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001*** |

5. Your password details are given below:

- a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- c) How to retrieve your 'initial password'?
- (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open that .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
- (ii) In case you have not registered your email address with the Company/ Depository, please follow instructions mentioned below in this Notice.
6. If you are unable to retrieve or have not received the 'Initial password' or have forgotten your password:
- a) Click on 'Forgot User Details/Password?' (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
- b) 'Physical User Reset Password?' (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
- c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.
- d) Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.
- Details on Step 2 is given below:**
- How to cast your vote electronically on NSDL e-Voting system?**
1. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
 2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
 3. Select 'EVEN' of company for which you wish to cast your vote.
 4. Now you are ready for e-Voting as the Voting page opens.
 5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also 'Confirm' when prompted.
 6. Upon confirmation, the message 'Vote cast successfully' will be displayed.
 7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
 8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.
- General Guidelines for shareholders**
1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to samdanic@gmail.com with a copy marked to evoting@nsdl.co.in.
 2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the 'Forgot User Details/Password?' or 'Physical User Reset Password?' option available on www.evoting.nsdl.com to reset the password.

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3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of www.evoting.nSDL.com or call on toll free no.: 1800-222-990 or send a request at evoting@nSDL.co.in

II. Instructions for Members for attending the AGM through VC/OAVM are as under:

1. Members will be able to attend the AGM through VC / OAVM at <https://www.evoting.nSDL.com> by using their remote e-voting login credentials and selecting the EVEN for Company's AGM. The link for VC/OAVM will be available in shareholder/members login where the EVEN of Company will be displayed.

Members who do not have the User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned in the Notice. Further Members can also use the OTP based login for logging into the e-voting system of NSDL.

2. Members are encouraged to join the AGM through Laptops for better experience.
3. Members will be required to allow Camera and use internet with a good speed to avoid any disturbance during the meeting.
4. Members connecting from mobile devices or tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches.
5. Facility of joining the AGM through VC / OAVM shall open 15 minutes before the time scheduled for the AGM and will be available for Members on first come first served basis.
6. Members who need assistance before or during the AGM, can contact NSDL on evoting@nSDL.co.in/1800-222-990 or contact Ms. Sarita Mote, Assistant Manager – NSDL at saritam@nSDL.co.in/022-24994890.
7. Members who would like to express their views or ask questions during the meeting may register themselves as a speaker by sending their request from their registered email ID mentioning their name, demat account number/folio number, PAN,

mobile number at investorsupport.in@schaeffler.com from June 19, 2020 (9:00 a.m. IST) to June 21, 2020 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

8. Members can raise questions at the AGM through a chat box and they are requested to frame their questions precisely. Once the Member clicks the link for VC/OAVM in shareholder/members login where the EVEN of Company will be displayed, Members will be able to view AGM VC/OAVM proceedings along with the chat box. The questions raised by the Members will be replied by the Company suitably.
9. Institutional Investors who are Members of the Company, are encouraged to attend and vote in the 57th AGM through VC/OAVM.

III. The instructions for Members for e-voting on the day of the AGM are as under:

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for remote e-voting.
2. Only those Members, who will be present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system in the AGM.
3. Members who have voted through remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.
4. The details of the person who may be contacted for any grievances connected with the facility for e-Voting on the day of the AGM shall be the same person mentioned for Remote e-voting.

IV. Process for registration of email id for obtaining Annual Report and user id/password for e-voting and updating bank account mandate for receiving the dividend:

Physical Holding

1. Send a request to the Registrar and Transfer Agents of the Company, Link Intime at vadodara@linkintime.co.in and investorsupport.in@schaeffler.com providing the following documents for registering email ID:

- a. A request letter providing name of the Member, Folio No., mobile no. and email address to be registered/updated and signed by Member (first holder, in case of jointly held).
 - b. Self-attested scanned copy of PAN
2. Members are requested to share the below details for registering/updating Bank Account through the mandate annexed to Notice:
- a. Name and Branch of the Bank in which dividend is to be received and Bank Account type
 - b. Bank Account Number allotted by your bank after implementation of Core Banking Solutions
 - c. 9-digit MICR Code and 11-digit IFSC Code
 - d. Self-attested scanned copy of the cancelled cheque bearing the name of the Member (first holder, in case of jointly held).

A request letter for registering the bank account details along with the Mandate is to be shared with (RTA) at vadodara@linkintime.co.in and investorsupport.in@schaeffler.com

Demat Holding

Please contact your Depository Participant (DP) and register your email ID and bank account details with your demat account agency, as per the process advised by your Depository Participant.

12. As per the MCA Circulars, Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.
13. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.
14. Members are requested to submit their questions in advance along with their name and demat account no./ folio number to investorsupport.in@schaeffler.com from June 14, 2020 (9:00 a.m. IST) to June 21, 2020 (5:00 p.m. IST). The questions raised by the Members will be replied suitably by the Company.
15. Since the AGM will be held through VC / OAVM, the Route Map does not form part of the Notice.

16. Members seeking any information with regards to accounts or any matters to be placed at the AGM, are requested to write to the Company in advance through email at investorsupport.in@schaeffler.com. The same will be replied by the Company suitably.
17. Statement as required under Regulation 36(5) of the Listing Regulations in respect of Item Nos. 4, 5 under 'Ordinary Business' and under Section 102 of the Companies Act, 2013 in respect of Item Nos. 6,7,8,9,10,11 and 12 under 'Special Business', are attached hereto. All documents referred to in the Notice are open for inspection till the date of AGM. Members can send a request for the inspection of such documents to investorsupport.in@schaeffler.com.

Statement as required under Regulation 36(5) of the Listing Regulations relating to Item Nos. 4, 5 and under Section 102 of the Companies Act, 2013 relating to Item Nos. 6,7,8,9,10,11 and 12 mentioned in the Notice convening the 57th Annual General Meeting:

Item No. 4.

To appoint a Director in place of Mr. Klaus Rosenfeld [DIN: 07087975] who retires by rotation and being eligible offers himself for re-appointment.

Mr. R. Sampath Kumar resigned from the directorship of the Company with effect from close of business hours of May 29, 2020 and to comply with the provisions of Section 152 of the Companies Act, 2013, the Board considered the re-appointment of Mr. Klaus Rosenfeld [DIN: 07087975], Non-executive Non-independent Director at the AGM, who retires by rotation and being eligible offers himself for re-appointment.

Except Mr. Klaus Rosenfeld, 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. 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 Auditors

The Auditors of the Company, M/s. B S R & Co. LLP Chartered Accountants [Firm Registration Number: 101248W / W-100022] ('BSR') were appointed for a consecutive period of five years effective from conclusion of 52nd Annual General Meeting to hold office up to conclusion of 57th Annual General Meeting ('AGM').

Pursuant to provisions of section 139 of the Companies Act, 2013 and the rules made thereunder, BSR are eligible for appointment as Auditors of the Company from conclusion of the 57th AGM up to conclusion of 58th AGM. BSR have confirmed their eligibility for the said appointment.

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The details required to be disclosed under provisions of Regulation 36(5) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are as under:

A. Proposed fees payable to the statutory auditor(s):

₹ 11.0 million

B. Terms of appointment:

Appointment as Auditors of the Company from conclusion of 57th AGM up to conclusion of 58th AGM to carry out Audit of the Financial Statements and Annual Financial Results of the Company and Limited Review of the Unaudited Quarterly Financial Results of the Company. All other terms of appointment shall be as per Letter of Engagement.

C. In case of a new auditor, any material change in the fees payable to such auditor from that paid to the outgoing auditor along with the rationale for such change:

Not Applicable

D. Basis of recommendation for appointment:

The Audit Committee has reviewed the performance of B S R as Auditors of the Company and the Audit Committee considers the experience and qualification of BSR commensurate with size and requirements of the Company and accordingly, the Audit Committee has recommended appointment of BSR as Auditors of the Company for remaining term of their eligibility to the Board. On the basis of the recommendations of the Audit Committee, the Board has approved the appointment of BSR as Auditors of the Company from the conclusion of 57th AGM up to conclusion of 58th AGM of the Company and recommends the same to the Shareholders for their approval.

E. Credentials of the statutory auditor(s) proposed to be appointed:

B S R & Co. LLP ('the firm') was constituted on March 27, 1990 having firm registration no. as 101248W. It was converted into limited liability partnership i.e. B S R & Co. LLP on October 14, 2013, thereby having a new firm registration no. 101248W/W-100022. The registered office of the firm is at 5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai, Maharashtra - 400 011.

B S R & Co. LLP is a member entity of B S R & Affiliates, a network registered with the Institute of Chartered Accountants of India. The other entities which are part of the B S R & Affiliates include B S R & Associates LLP, B S R & Company, B S R and Co, B S R and Associates, B S R and Company, B S S R & Co and B B S R & Co.

B S R & Co. LLP is registered in Mumbai, Gurugram, Bangalore, Kolkata, Hyderabad, Pune, Chennai, Chandigarh, Ahmedabad, Vadodara, Noida, Jaipur and Kochi.

None of the Directors, Key Managerial Personnel of the Company and 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. Harsha Kadam (DIN: 07736005) as Director

The Board of Directors at its meeting held on July 23, 2019, on the recommendation of the Nomination and Remuneration Committee, has appointed Mr. Harsha Kadam as an Additional Director effective October 1, 2019. Pursuant to provisions of Section 161 of the Companies Act, 2013, Mr. Harsha Kadam holds office up to the date of this AGM.

Mr. Harsha Kadam is BE in Mechanical Engineering from Bangalore University and also holds Diploma in Finance and Marketing from IGNOU. He has also done executive development course in Marketing from IIM Bangalore. Mr. Kadam has been President-Industrial of Schaeffler India Limited since March 12, 2018. He has more than 25 years of professional experience in various functions like Sales, Manufacturing and Product Design/Development.

His continued association with the Company as a Director would be a great advantage. Your Directors therefore recommend his election to the office of Director of the Company. The Company has received notice from the member proposing his candidature for the office of Director under Section 160 of the Companies Act, 2013.

The details of Mr. Harsha Kadam as required under the provisions of Regulation 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of Secretarial Standard 2 on General Meetings are disclosed under Annexure A to this Statement.

Except Mr. Harsha Kadam, 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. Appointment of Mr. Harsha Kadam (DIN: 07736005) as a Managing Director

Mr. Harsha Kadam was appointed as a Managing Director by the Board of Directors in its meeting held on July 23, 2019. The Directors are of the view that his knowledge, experience, guidance would be useful for the growth of the Company in the future as well.

Mr. Kadam is holding 25 equity shares having face value of ₹ 10/- each in the Company.

The material terms and conditions of his appointment including remuneration are as follows:

A. Duties and Position

- a) Mr. Harsha Kadam agrees to serve the Company in the capacity of Managing Director for the period October 1, 2019 to September 30, 2024 (subject to earlier termination as hereinafter provided) on the terms and conditions herein contained. Six months prior to the end of the period for which Mr. Harsha Kadam has been appointed, both Parties shall mutually agree on whether Mr. Harsha Kadam shall be reappointed as Managing Director for a further period.
- b) Mr. Harsha Kadam will be overall in-charge of all operations of the Company and entrusted with substantial powers of management of the affairs of the Company. He shall report to the Chairman.
- c) Mr. Harsha Kadam shall faithfully adhere to, execute and fulfil all policies and guidelines established by the Board of Directors of the Company and by Corporate Headquarters of the Schaeffler Group.
- d) Irrespective of his authorisation to represent the Company externally in accordance with the Articles of Association, shareholders' special resolution or statutory laws, Mr. Harsha Kadam is obliged to observe all Schaeffler Group guidelines and procedures applicable internally to him and to the Company and to ensure that they are observed within the Company, especially with regard to the rights, obligations and restrictions of the Approval Guideline P 170002.
- e) Mr. Harsha Kadam further undertakes to ensure adherence to the compliance standards valid within the Schaeffler Group. This includes in particular observance of the "Anti-Bribery and Anti-Corruption Guideline" (on the handling of acceptance of gratuities and gifts) and the "Competition and Antitrust Guideline" (dealings with competitors and business partners).
- f) Mr. Harsha Kadam confirms that he has knowledge of the content of the foresaid guidelines and guarantees

that they are adopted within the Company and agrees to take the necessary measures to enforce a compliance environment within the Company.

- g) Mr. Harsha Kadam shall devote the most substantial part of his time and attention to the affairs of the Company and shall not, without its express consent in writing, engage in any business, profession or occupation (whether or not competing with its business) or become a director, consultant, partner or owner in or of any other entity.
- h) Mr. Harsha Kadam shall well and faithfully serve the Company and use his best endeavours to promote the interests thereof. He shall not, while an employee thereof or thereafter, directly or indirectly, divulge any information concerning the affairs, or any information of whatever nature which he shall have acquired during his employment, to anyone or to use it for any purpose except performance of his duties in terms of his Employment Agreement.
- i) Other terms and the termination of employment shall be governed as per the Employment Agreement with Mr. Harsha Kadam.

B. Remuneration and Benefits

Remuneration: ₹ 31.06 million (total CTC to the Company)

(Amount in ₹ million p.a.)			
Sr. No.	Particulars	Effective October 1, 2019 for year 2019 and 2020	Maximum up to September 30, 2024
1	Fixed Base Salary	10.9	17.1
2	Short-Term Bonus (STB)	6.2	9.8
3	Long-Term Bonus (LTB)	6.2	9.8
4	House Rent Allowance (HRA)	4.4	6.8
5	Perquisites/Allowances	1.6	2.5
6	Company's contributions to funds	1.8	2.9
Total CTC		31.1	48.9

- **Travelling and out of pocket expenses:** in accordance with the Rules of the Company.
- **Annual Leave:** in accordance with the Rules of the Company.
- **Personal accidental and life insurance coverage:** in accordance with the Rules of the Company.

The Short-Term Bonus and Long-Term Bonus are variable components of the remuneration to Mr. Kadam and the criteria for determination of their amount are as under:

A. Short-Term Bonus:

- (a) Free Cash Flow generation (50%); and
- (b) Schaeffler Value Added (50%)

B. Long-Term Bonus:

- (a) Total Shareholders Return (TSR) i.e. relative outperformance of Share Price of Schaeffler India Limited in comparison of BSE 200 Index (50%),
- (b) Service Conditions (50%).

A copy of the referred agreement entered into between the Company on the one part and Mr. Kadam on the other part is open for inspection till the date of AGM without any fee. Members can send a request for the inspection of documents to investorsupport.in@schaeffler.com.

The appointment and remuneration payable to Mr. Kadam is required to be approved by the shareholders in the General Meeting and accordingly this resolution is being placed before the members for approval.

The details of Mr. Harsha Kadam as required under the provisions of Regulation 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of Secretarial Standard 2 on General Meetings are disclosed under Annexure A to this Statement.

Except Mr. Harsha Kadam, 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. 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.

Item No. 8. Appointment of Mr. Arvind Balaji (DIN: 00557711) as Director

The Board of Directors at its meeting held on July 23, 2019, on the recommendation of the Nomination and Remuneration Committee, has appointed Mr. Arvind Balaji as an Additional Director effective November 6, 2019. Pursuant to provisions of Section 161 of the Companies Act, 2013, Mr. Arvind Balaji holds office up to the date of this AGM. The Company has received notice from a member, proposing his candidature for the office of Director under Section 160 of the Companies Act, 2013.

Mr. Arvind Balaji holds a Bachelor's degree in Mechanical Engineering from BITS Pilani, a Master's degree in Manufacturing System Engineering from Stanford University and an MBA in Finance from Wharton School, University of Pennsylvania.

Mr. Balaji is at present, joint Managing Director of Lucas-TVS Limited and Managing Director of India Nippon Electricals Limited. Prior to joining Lucas-TVS, Mr. Balaji worked in the investment banking division of Bank of America in the General Industrial group where he focussed on helping automotive companies in financing and M&A transactions. Mr. Balaji also worked at Oracle Corporation in their consulting division. Mr. Balaji is the Past President (2015-16) of the Automotive Component Manufacturers Association (ACMA) and led the Technology, Safety and Regulatory (TSR) Committee of ACMA (2017-18).

Mr. Balaji has given a declaration to the Board that he meets the criteria of independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. In the opinion of the Board, Mr. Balaji fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. The Board considers that his association would be of immense benefit to the Company and it is desirable to appoint Mr. Balaji as an Independent Director.

The details of Mr. Arvind Balaji as required under the provisions of Regulation 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of Secretarial Standard 2 on General Meetings are disclosed under Annexure A to this Statement.

A copy of the Letter of Appointment of Mr. Arvind Balaji as an Independent Director will be available for inspection till the date of AGM without any fee. Members can send a request for the inspection of documents to investorsupport.in@schaeffler.com.

Except Mr. Arvind Balaji, 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. 8 of the Notice.

The Board recommends the Resolution under Item No. 8 of the Notice for approval of the Members as an Ordinary Resolution.

Item No. 9. Appointment of Mr. Amit Kalyani (DIN: 00089430) as Director

The Board of Directors at its meeting held on October 21, 2019, on the recommendation of the Nomination and Remuneration Committee, has appointed Mr. Amit Kalyani as an Additional Director effective February 11, 2020. Pursuant to provisions of Section 161 of the Companies Act, 2013, Mr. Amit Kalyani holds office up to the date of this AGM. The Company has received notice from a member, proposing his candidature for the office of Director under Section 160 of the Companies Act, 2013.

Mr. Amit Kalyani is BE in Mechanical Engineering from Bucknell University, Pennsylvania, USA. He is also a Harvard Business School OPM graduate and a YPO member. He is extremely

passionate about manufacturing and technology and regularly participates in the World Economic Forum, Davos.

Mr. Kalyani is the Deputy Managing Director at Bharat Forge Limited. He is also a member on the board of various companies. He has been a part of many committees of the Government of India on manufacturing, education, skill development and bilateral relations.

Mr. Kalyani has given a declaration to the Board that he meets the criteria of independence as provided under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations. In the opinion of the Board, Mr. Kalyani fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management. The Board considers that his association would be of immense benefit to the Company and it is desirable to appoint Mr. Kalyani as an Independent Director.

The details of Mr. Amit Kalyani as required under the provisions of Regulation 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and provisions of Secretarial Standard 2 on General Meetings are disclosed under Annexure A to this Statement.

A copy of the Letter of Appointment of Mr. Amit Kalyani as an Independent Director will be available for inspection till the date of AGM without any fee. Members can send a request for the inspection of documents to investorsupport.in@schaeffler.com.

Except Mr. Amit Kalyani, 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. 9 of the Notice.

The Board recommends the Resolution under Item No. 9 of the Notice for approval of the Members as an Ordinary Resolution.

Item No. 10. Approval for payment of commission for the year 2019 to Non-executive Directors of the Company, who are in employment of any Schaeffler Group Company

The Members had, at the 53rd Annual General Meeting of the Company held on April 27, 2016, approved payment of remuneration by way of profit related commission to Non-Executive Directors of the Company, excluding Directors who are in employment of any Schaeffler Group Company for five years up to and including for year 2019.

The Board of Directors has, on the recommendation of the Nomination and Remuneration Committee and considering the amount of time and efforts devoted as well as the

responsibilities shouldered, approved payment of sitting fees and profit related commission to Non-Executive Directors who are in employment of any Schaeffler Group Company, effective year 2019.

Accordingly, on the basis of recommendations of the Nomination and Remuneration Committee, the Board has, subject to approval of the shareholders, approved payment of Commission for the year 2019 to Mr. Rosenfeld, Mr. Ziegler and Mr. Arora as under:

Name of the Non-Executive Director	Amount (₹)
Mr. Klaus Rosenfeld ¹	1,050,000
Mr. Jürgen Ziegler ¹	1,050,000
Mr. Dharmesh Arora ²	262,500

1. For full year 2019, at the same rate as for other Non-Executive Directors
2. For the period effective October 1, 2019 to December 31, 2019 pro-rata.

As per the provisions of Regulation 17 (6) of the Listing Regulations, all fees / compensation, (excluding sitting fees) payable to Non-Executive Directors shall be fixed by the Board of Directors and shall require approval of shareholders in general meeting.

In view of the above, approval of Members is being sought for payment of commission to Non-Executive Directors who are in employment of any Schaeffler Group Company for the year 2019, as mentioned above.

Except the above mentioned Non-Executive Directors of the Company and their relatives, none of the other Directors or Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Ordinary Resolution set out under Item No. 10 of the Notice.

The Board recommends the resolution under Item No. 10 of the notice for approval of the Members as an Ordinary Resolution.

Item No. 11. Remuneration to Non-executive Directors

The Members had, at the 53rd Annual General Meeting of the Company held on April 27, 2016, approved the payment of remuneration by way of profit related commission to Non-Executive Directors of the Company for a period of five (5) years commencing with Financial Year 2015 up to and including for the Financial Year 2019.

As per the provisions of Regulation 17 (6) of the Listing Regulations, all fees / compensation (excluding sitting fees), payable to Non-Executive Directors shall be fixed by the Board of Directors and shall require approval of shareholders in general meeting.

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In view of the above, approval of Members is being sought for payment of commission to Non-Executive Directors for the financial year 2020 onwards as set out in the Ordinary Resolution at Item No. 11 of this Notice.

The said remuneration to Non-Executive Directors shall be in addition to the sitting fees and reimbursement of expenses payable to them for attending meetings of the Board and Committees thereof.

Except the Non-Executive Directors of the Company and their relatives, none of the other Directors or Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Ordinary Resolution set out at Item No. 11 of the Notice.

The Board recommends the resolution under Item No. 11 of the notice for approval of the Members as an Ordinary Resolution.

Item No. 12. To Ratify Remuneration of the Cost Auditors

Upon the recommendation of the Audit Committee, the Board of Directors of the Company in its meeting held on February 12, 2020 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, 2020.

The Audit Committee and the Board of Directors of the Company have approved a remuneration of ₹ 225,000 (Rupees Two Hundred Twenty Five Thousand only) excluding all taxes and reimbursement of out of pocket expenses for the year 2020.

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 by way of Ordinary Resolution as set out at Item No. 12 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, 2020.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out in Item No. 12 of the Notice.

The Board recommends the Resolution under Item No.12 of the Notice for approval of the Members as an Ordinary Resolution.

By Order of the Board

Ashish Tiwari

VP - Legal & Company Secretary

Pune: June 2, 2020

Schaeffler India Limited

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

CIN: L29130MH1962PLC012340

Phone: +91-22-6681 4444 Fax: +91-22-2202 7022

E-mail: investorsupport.in@schaeffler.com;

website: www.schaeffler.co.in

Annexure – A

Information on Directors seeking appointment/ re-appointment/ fixation of Remuneration at 57th Annual General Meeting pursuant to Regulation 36 (3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and pursuant to provisions of Secretarial Standard 2 on General Meetings:

Name	Mr. Jürgen Ziegler	Mr. Klaus Rosenfeld	Mr. Harsha Kadam
Director Identification Number	07092477	07087975	07736005
Date of Birth / Age	March 1, 1959 / 61 Years	May 6, 1966 / 53 Years	October 17, 1965 / 54 Years
Qualification	Business Administration, AKAD University, Germany	Master of Business Administration	Mechanical Engineer from Bangalore University; Diploma in Finance and Marketing from IGNOU; Executive Development course in Marketing from IIM Bangalore.
Brief Profile and nature of expertise in specific functional area and experience	Mr. Ziegler has around 38 years of experience in working in different countries and has experience in the fields of sales, logistics, project management, financial controlling, strategic planning, business restructuring etc. Mr. Ziegler is currently Regional CEO – Europe, of Schaeffler Group.	Mr. Rosenfeld started his professional career as a trainee banker at the Dresdner Bank and subsequently studied business administration and economics at the University of Muenster. He has over 20 years of experience in Banking and Finance. He is currently CEO of Schaeffler Group.	Mr. Kadam joined Schaeffler in 2018, as President – Industrial Business, a role he continues to hold. Prior to Schaeffler, Mr. Kadam was the CEO of AGI Glaspac (India). Before AGI Glaspac, he was with SKF India till December 2016 as Director, Automotive Business and held several key leadership positions in the organisation across manufacturing and sales, for over 20 years. Mr. Kadam has more than 25 years of experience in functions including sales, manufacturing, product design and development. Besides leading business successfully, he has filed for several patents and won global awards for innovation excellence in his professional stint.
Date of first appointment on the Board	April 18, 2018	February 11, 2015	October 1, 2019
Category of Director	Non-executive - Non-independent	Non-executive - Non-independent	Executive - Non-independent
Relationship with other Directors and KMP	Not related to any other Director or KMP	Not related to any other Director or KMP	Not related to any other Director or KMP
Current Remuneration (last drawn remuneration)	Not Applicable	Not Applicable	₹ 31.06 million p.a. ¹

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Name	Mr. Jürgen Ziegler	Mr. Klaus Rosenfeld	Mr. Harsha Kadam
Details of remuneration sought to be paid	₹ 1.05 million p.a.	₹ 1.05 million p.a.	₹ 31.06 million p.a.
Terms and Conditions of appointment / Terms of revised remuneration	He shall continue to be subject to terms and conditions of his appointment as Non-executive - Non-independent Director.	He shall continue to be subject to terms and conditions of his appointment as Non-executive - Non-independent Director.	As detailed in the Explanatory Statement.
Shareholding in the Company (including on a beneficial basis for any other persons)	Nil	Nil	Holds 25 equity shares of the Company
No. of Meetings of the Board attended during the year 2019	4 out of 4 Board Meetings attended	3 out of 4 Board Meetings attended	1 out of 1 Board Meeting attended
Directorships – Listed Companies	Schaeffler India Limited	Schaeffler India Limited	Schaeffler India Limited
Directorships – Non-listed Companies	Nil	Nil	Nil
Committee Membership/ Chairmanship	Schaeffler India Limited Audit Committee – Member	Nil	Schaeffler India Limited Stakeholders' Relationship Committee – Member Corporate Social Responsibility Committee – Member Risk Management Committee – Member

1 Effective October 1, 2019, remuneration received as a Managing Director of the Company

	Mr. Arvind Balaji	Mr. Amit Kalyani
Name	Mr. Arvind Balaji	Mr. Amit Kalyani
Director Identification Number	00557711	00089430
Date of Birth / Age	December 8, 1974 / 45 Years	July 26, 1975 / 44 Years
Qualification	Mechanical Engineer from BITS Pilani; Master's Degree in Manufacturing Systems Engineering from Stanford University; MBA in Finance from Wharton School, University of Pennsylvania.	Mechanical Engineer from Bucknell University, Pennsylvania, USA; OPM graduate from Harvard Business School; YPO member.
Brief Profile and nature of expertise in specific functional area and experience	Mr. Balaji presently holds the position of joint Managing Director of Lucas-TVS Limited and Managing Director of India Nippon Electricals Limited. Prior to joining Lucas-TVS, Mr. Balaji worked in the investment banking division of Bank of America in the General Industrials group where he focussed on helping automotive companies in financing and M&A transactions. Mr. Balaji also worked at Oracle Corporation in their consulting division. Mr. Balaji is also a Past President (2015-16) of the Automotive Component Manufacturers Association (ACMA) and led the Technology, Safety and Regulatory (TSR) Committee of ACMA (2017-18).	Mr. Kalyani is the Deputy Managing Director at Bharat Forge Limited. He is also a member on the board of various companies. He has been a part of many committees of the Government of India on manufacturing, education, skill development and bilateral relations. He is extremely passionate about manufacturing and technology and regularly participates in the World Economic Forum, Davos.
Date of first appointment on the Board	November 6, 2019	February 11, 2020
Category	Non-executive - Independent	Non-executive - Independent
Relationship with other Directors and KMP	Not related to any other Director or KMP	Not related to any other Director or KMP
Current Remuneration (last drawn remuneration)	Not Applicable	Not Applicable
Details of remuneration sought to be paid	Not Applicable	Not Applicable
Terms and Conditions of appointment / Terms of revised remuneration	As an Independent Director, he shall continue to be subject to terms and conditions of appointment of Independent Directors of the Company, which is available on the website of the Company – www.schaeffler.co.in	As an Independent Director, he shall continue to be subject to terms and conditions of appointment of Independent Directors of the Company, which is available on the website of the Company – www.schaeffler.co.in
Shareholding in the Company (including on a beneficial basis for any other persons)	Nil	Nil

Notice of AGM

Name	Mr. Arvind Balaji	Mr. Amit Kalyani
No. of Meetings of the Board attended during the year 2019	Not Applicable	Not Applicable
Directorships – Listed Companies	Schaeffler India Limited India Nippon Electricals Limited	Schaeffler India Limited Bharat Forge Limited Kalyani Steels Limited BF Utilities Limited Kalyani Investment Company Limited BF Investment Limited Hikal Limited
Directorships – Non-listed Companies	Delphi TVS Technologies Limited Lucas Indian Service Limited Lucas TVS Limited TVS Automotive Systems Limited TVS Motor Services Limited TVS Training and Services Limited SB Industrial Ventures Private Limited Harita Greens Private Limited Harita Arvind Energy Private Limited	BF-NTPC Energy Systems Limited BF Elbit Advanced Systems Private Limited Association of Indian Forging Industry
Committee Membership/ Chairmanship	Schaeffler India Limited Audit Committee – Member Corporate Social Responsibility Committee – Chairman India Nippon Electricals Limited Corporate Social Responsibility Committee – Member	Schaeffler India Limited Corporate Social Responsibility Committee – Member Audit Committee - Member Nomination and Remuneration Committee – Member Bharat Forge Limited Corporate Social Responsibility Committee – Member Kalyani Steels Limited Nomination and Remuneration Committee – Member BF Utilities Limited Nomination and Remuneration Committee – Member Kalyani Investment Company Limited Nomination and Remuneration Committee – Member BF Investment Limited Nomination and Remuneration Committee – Member

Form

(Shareholders' 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, 6136000

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 _____

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

Date: _____

Place: _____

Signature of the Shareholder/Beneficial Owner

NECS/Bank Mandate Update Form

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 and email ID of the share holder _____

I / We enclose a blank cancelled cheque / self-attested photocopy 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 _____

10 Years' Highlights

	Unit	Chart	2019	2018 ²	2017 ²	2016	2015	2014	2013	2012	2011	2010
Income statement												
Revenue ¹	₹ mn	1	43,606.3	45,615.1	39,331.4	17,963.2	17,244.3	16,321.5	14,024.2	14,466.5	13,085.5	10,400.8
EBITDA ³	₹ mn		6,460.8	7,585.4	6,916.9	3,121.6	3,126.1	2,477.7	2,022.3	2,421.1	2,580.2	1,862.4
EBITDA margin	%		14.8	16.6	17.6	17.4	18.1	15.2	14.4	16.7	19.7	17.9
EBIT ³	₹ mn	2	4,873.7	6,100.4	5,535.3	2,480.6	2,471.0	1,984.2	1,589.8	2,118.4	2,354.3	1,661.3
EBIT margin	%		11.2	13.4	14.1	13.8	14.3	12.2	11.3	14.6	18.0	16.0
Earnings before tax ³	₹ mn		5,346.2	6,749.0	5,933.6	2,993.3	2,938.1	2,323.7	1,854.4	2,334.7	2,609.6	1,818.8
Earnings after tax	₹ mn	3	3,676.4	4,198.0	3,884.9	1,950.6	1,974.8	1,528.8	1,218.3	1,591.8	1,759.7	1,215.0
EPS	₹	9	117.6	134.3	124.3	117.4	118.8	92.0	73.3	95.8	105.9	73.1
Statement of financial position												
Share capital	₹ mn		312.6	312.6	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2
Shareholder's equity	₹ mn	8	29,621.6	27,061.2	23,251.6	14,751.6	12,873.2	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3
Total assets	₹ mn		36,452.3	37,673.7	31,803.8	18,537.1	16,553.8	14,341.9	13,332.7	11,436.6	9,968.0	7,775.6
Statement of cash flows												
Cash flow from operating activities	₹ mn		5,097.7	2,382.0	4,009.6	1,928.1	1,818.9	1,173.8	1,620.7	1,370.6	807.9	1,320.1
Capital expenditure (net)	₹ mn		(3,198.6)	(2,438.5)	(1,343.9)	(930.5)	(575.4)	(401.0)	(666.9)	(1,407.1)	(1,471.2)	(193.8)
Interest Income (net)	₹ mn		536.0	546.6	288.2	444.1	328.7	256.9	221.0	198.0	211.5	110.5
Free cash flow ⁴	₹ mn	4	2,435.1	490.1	2,953.9	1,441.7	1,572.2	1,029.7	1,174.8	161.5	(451.8)	1,236.8
Current ratio	Times		3.6	2.6	3.0	3.7	3.6	3.4	2.4	2.9	2.7	3.1
Value based management												
Capital employed	₹ mn	5	30,076.5	27,503.4	24,276.9	15,022.2	13,214.5	11,573.1	10,290.7	9,104.0	7,332.1	5,763.9
Average capital employed	₹ mn		28,790.0	25,890.1	19,649.5	14,118.4	12,393.8	10,931.9	9,697.4	8,218.1	6,548.0	5,213.2
Return on capital employed	%	6	16.9	23.6	28.2	17.6	19.9	18.2	16.4	25.8	36.0	31.9
Shareholders												
Number of shareholders ⁵	No.		21026	15435	12871	10430	9771	8701	7808	8465	8205	7876
Number of shares	No.		31,260,734	31,260,734	16,617,270	16,617,270	16,617,270	16,617,270	16,617,270	16,617,270	16,617,270	16,617,270
Dividend per share	₹	10	35.0	30.0	17.0	12.0	10.0	7.5	6.0	5.0	10.0	5.0
Closing share price December 31	₹		4,698.5	5,691.3	5,844.2	3,865.7	4,306.0	3,570.1	1,613.9	1,699.7	1,046.7	876.6
Market capitalisation	₹	11	146,877.0	177,912.7	97,113.8	64,237.4	71,554.0	59,325.3	26,819.4	28,244.4	17,393.3	14,566.7
Net worth	₹	7	29,621.6	27,061.2	23,251.6	14,751.6	12,873.2	11,074.9	9,895.5	8,795.0	7,300.4	5,734.6
Employees												
Employee No.	No.	12	2846	2904	2936	1525	1560	1477	1495	1580	1456	1343

1 Net of excise duty in relevant years

2 Figures are derived after giving effect of amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the Company

3 Before exceptional items

4 Free cash flow: Cash flow from operating activities less net capex add interest income (net)

5 Number of shareholders not clubbed based on unique Permanent Account Number

Schaeffler India Limited

Nariman Bhavan, 8th Floor, 227 Backbay Reclamation,
Nariman Point, Mumbai – 400 021, Maharashtra, India
Tel.: +91-22-6681 4444 Fax: +91-22-2202 7022
www.schaeffler.co.in

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