

SCHAEFFLER

We pioneer motion

Resilient today. Empowering tomorrow.

Annual Report 2020 | Schaeffler India Limited



RESILIENT TODAY. EMPOWERING TOMORROW.

The year 2020 was a gigantic stress test for us. However, we utilised the crisis to think through, identify pain points, and formulate feasible counter measures to navigate the new normal. Our balanced portfolio, stringent cost discipline and realisations from new projects enabled us to gradually improve our performance and take advantage of the pent-up demand in key markets as the economy rebooted. We launched a range of innovative products and provided service excellence to our clients, without compromising on the health and safety of our teams.

During the first half of the year, all of us were pushed into uncharted territory due to the COVID-19 pandemic. We responded with agility, resilience and stayed the course, focused on our core initiatives – Protect, Retool and Recover.

In the second half of 2020, Schaeffler group launched its global strategy Roadmap 2025 supported by our new positioning – **We pioneer motion**. Similarly, in India, we have created our long-term roadmap aligned with the global strategy roadmap.

We will continue to stay ahead by demonstrating agility, innovation and efficiency in all that we do, while striving to enable an empowering tomorrow for all.

2020 performance highlights

₹ 37,618 million Revenue	₹ 3,462 million EBIT
₹ 2,910 million Earnings after tax	20% CO ₂ reduction
63,083 CSR beneficiaries	98.6% Employee retention rate

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About this report

Reinforcing our commitment to transparent stakeholder communications, we, at Schaeffler India, started on the journey of Integrated Reporting (IR) with our Annual Report 2019. Continuing on our journey, this is our second Integrated Report. 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. We will continue to add more such elements to reporting in the coming 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

This report 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.

Report navigation

To aid navigation and to indicate cross-referencing, the following icons have been used through the report.

Capitals

 Financial capital	 Manufactured capital	 Intellectual capital
 Human capital	 Social and relationship capital	 Natural capital
 Page reference	 Strategic focus	

Contributing to the United Nations Sustainable Development Goals (SDGs)
In our report, we provide reference to the specific SDGs where we create value.



Find out more online
we-pioneer-motion.com schaeffler.co.in

@SchaefflerGroup @SchaefflerIndia Schaeffler

Growing through innovation



Schaeffler Group is a leading global automotive and industrial supplier. Its legacy spans more than 70 years, and it has carved a niche for itself as a manufacturer of 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.

The Group has operations in 200 locations worldwide, with 75 production facilities in 23 countries, 20 R&D centres and a workforce of 83,300 employees. Renowned for its proven track record in launching innovative products, the Group has been granted over 26,000 patent registrations so far.

Schaeffler AG, the Group's flagship company, is a publicly listed stock corporation incorporated under the German law, with its registered office in Herzogenaurach. The Group owns majority stake in Schaeffler India.

Performance highlights, 2020

€ 12.6 billion
Revenue**

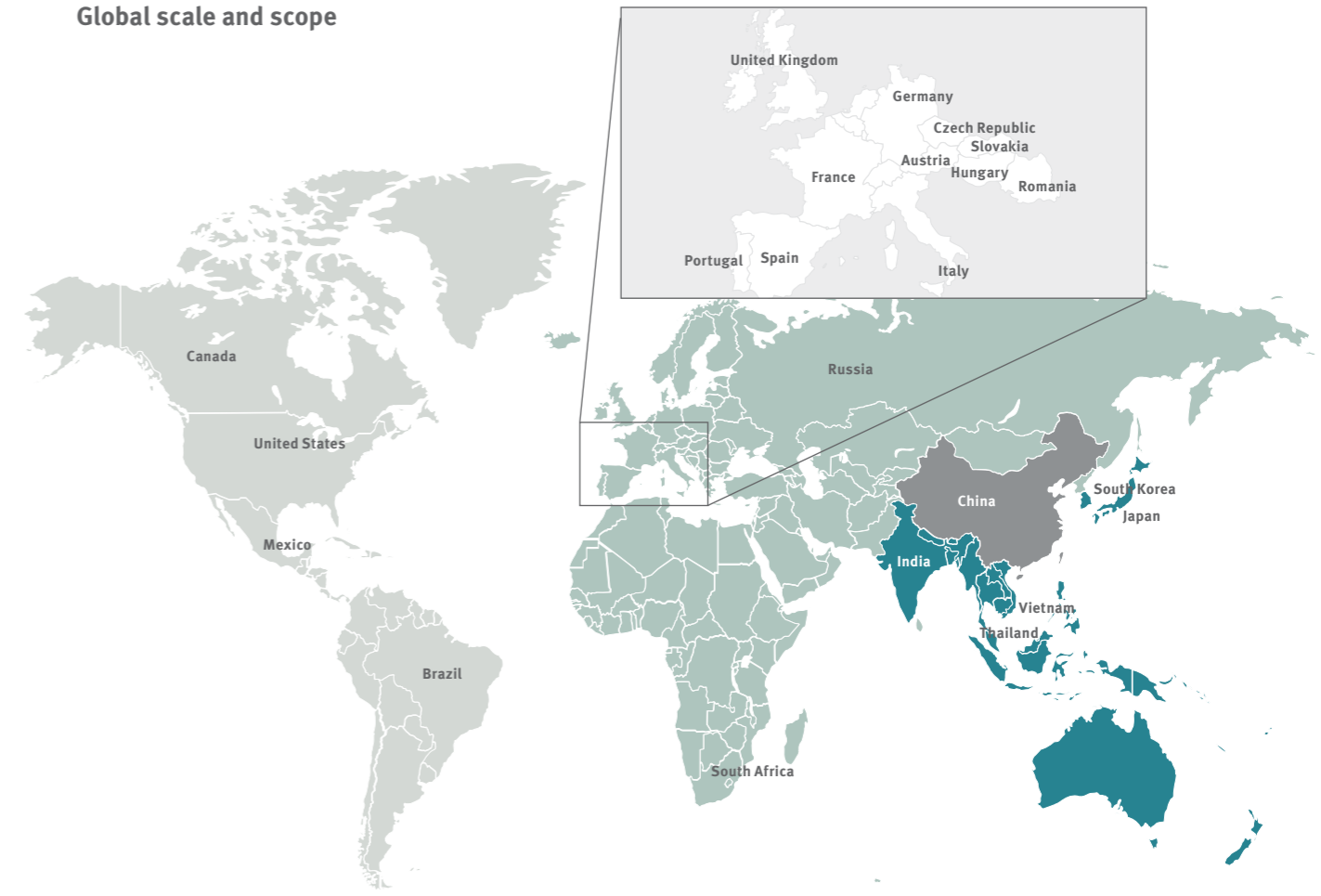
83,300
Employees***

1,900+
Patent Applications in 2020*

Second most innovative company in Germany#

*According to the DPMA (German Patent and Trademark Office) in the year 2020
** For the full year 2020
*** As on December 31, 2020
*Patent applications concern first filings at the German Patent and Trademark Office (DPMA)
The counting method employed by the German Patent and Trademark Office was adapted in 2020

Global scale and scope



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

Plants and R&D centres

Regions ¹⁾	Europe	Americas	Greater China	Asia/Pacific	Schaeffler Group
R&D centres ●	10	5	1	4	20
Plants²⁾	43	13	10	9	75
Automotive ●	28	10	8	6	52
Industrial ●	15	3	2	3	23
Campus locations ●	9	3	3	-	15

Number of plants in brackets. | ¹⁾ Regions reflect the regional structure of the Schaeffler Group.
Braşov *²⁾ 2 plants Industrial, 1 plant Automotive | Homburg *³⁾ 2 plants Automotive, 1 plant Industrial
*** As on December 31, 2020

Prudent decision-making for unparalleled reach



Schaeffler India Limited is an integral part of the Schaeffler Group.

Schaeffler, with four plants and eight sales offices, has a significant presence in India. Schaeffler's three major product brands – FAG, INA and LUK – are well represented in the country. All Schaeffler plants in India are certified according to international quality standards such as ISO 9001, TS 16949, OHSAS 18001.

We have four best-in-class production facilities and two dedicated R&D facilities across India. We are proud to note that in 2019, the R&D centres in India started providing engineering support to the global R&D centres. With these, we are poised to steadily grow our contribution to innovation at Schaeffler Group.

Our products cater to Automotive Original Equipment Manufacturers (OEMs) as well as retail customers in the three segments of Automotive, Industrial and Automotive Aftermarket.

As on December 31, 2020, our total employee headcount stood at 2,794.

Quick facts[#]

4
Production facilities

2
R&D centres

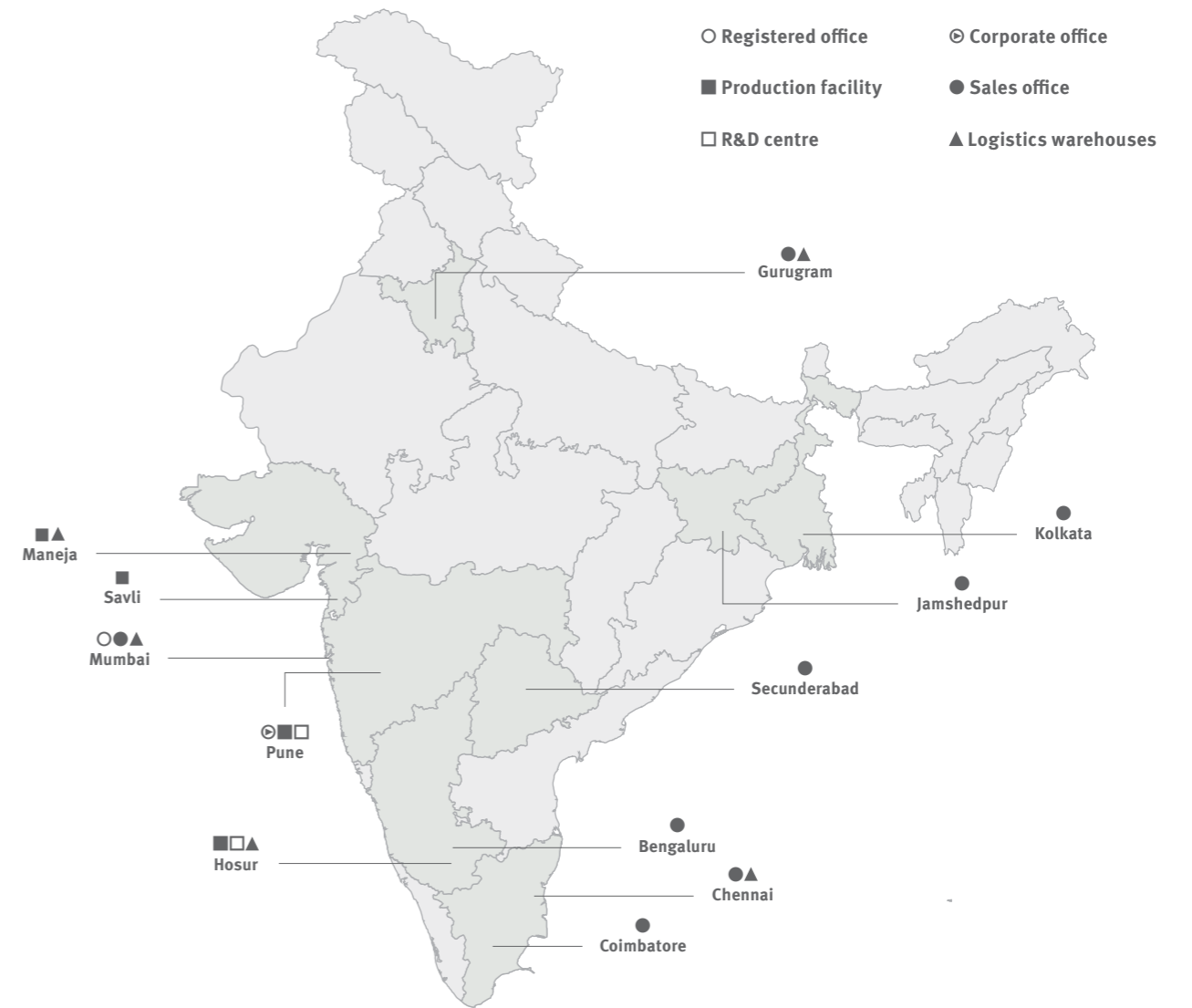
8
Sales offices

33,000+
Retail network

330
Distribution channel partners

[#] As on December 31, 2020

Our footprint



Note: Map not to scale

What makes our network stand out?

- 1** Our logistics footprint ensures we are able to cater to customer needs from every corner of the country, and we are working on improving it further.
- 2** We have invested in our manufacturing locations for the long term. We continue to drive higher localisation by expanding our facilities to cater to customer demands.
- 3** Spread across the length and breadth of the country, our highly qualified and trained teams continue to assist OEM customers.

Ensuring transparency and accountability



AC NRC

Mr. Avinash Gandhi
Chairman
Independent Director



Mr. Klaus Rosenfeld
Non-executive
Non-independent Director



AC NRC SRC

Mrs. Renu Challu
Independent Director



AC CSR

Mr. Arvind Balaji
Independent Director



AC NRC CSR

Mr. Amit Kalyani
Independent Director



AC RMC

Ms. Eranti Sumithasri
Independent Director



AC

Mr. Jürgen Ziegler
Non-executive
Non-independent Director



NRC RMC

Mr. Dharmesh Arora
Non-executive
Non-independent Director



SRC CSR RMC

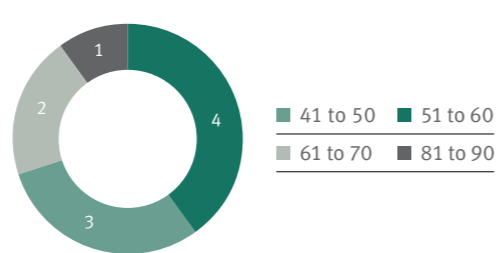
Mr. Harsha Kadam
Managing Director & CEO,
President (Industrial)



AC SRC RMC

Mr. Satish Patel
Director-Finance & CFO

Age group of Directors (years)



Experienced in delivering excellence



Mr. Sanjeev Saxena
President
(Automotive Technologies)



Mr. Alok Dave
Vice President
(Purchasing)



RMC
Mr. Sameer Mathur
Chief Operations Officer



RMC
Mr. Santanu Ghoshal
Vice President
(Human Resources)



SRC CSR RMC
Mr. Debasish Satpathy
Vice President
(Automotive Aftermarket)



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



AC SRC RMC
Mr. Satish Patel
Director – Finance & CFO



Mr. Biswajyoti Mandal
Vice President
(Technology)

30 years

Average experience

- AC Audit Committee
- RMC Risk Management Committee
- NRC Nomination and Remuneration Committee
- SRC Stakeholders' Relationship Committee
- CSR Corporate Social Responsibility Committee
- Member Member

Stronger and smarter future

Insights from data will play an increasingly central role in the future. They are crucial for flexibly meeting dynamic market and customer requirements. Internal and external collaboration with colleagues and customers will also become increasingly important for creating real added value with digital solutions. This requires even better processes and a customised IT landscape.

For Schaeffler, digitalisation is a central, cross-sectoral topic that will advance the Company along its entire value chain. Various departments will shape their digital transformation accordingly within the organisation. Whether it be internal processes of employee training or finance or more complex manufacturing processes, Schaeffler India embarked on a digitalisation drive many years ago. Today, we continue to witness the fruition of those initiatives and we are encouraged to further this agenda across the organisation. The efforts and results continue to inspire us as we move ahead.

Digitalisation in Manufacturing

For manufacturing companies, standing still is not an option; neither is simply moving forward with 'business as usual' mindset. The factories of the future must become intelligent, innovative, and effective to tackle with shorter time to market, increasing complexity, and rising competition and cost economics. Considering this scenario, we initiated massive digitalisation drive to unlock system efficiency, process effectiveness and operational productivity. The key initiatives commenced were:

Operations Technology Security

Security transparency programme across its plants to protect its equipment against any potential cyberattacks and hacks.

Digitalised Quality Control

For any manufacturing leader, the quality of its design and conformance to specifications are an absolute requirement. To eliminate any instance of non-conformity of products,

Schaeffler India in its Pune plant rolled out the Control of Suspected Parts (CoSP) initiative to track and control the reason and bring in benefits of time and cost savings.

Supervisory Control and Data Acquisition (SCADA)

Schaeffler India implemented SCADA control system at its Pune plant to gather real-time data and identify problems and performance gaps.

Driving Overall Equipment Effectiveness

Schaeffler India introduced Lean Performance Management System (LPMS) at its Hosur plant to increase the equipment effectiveness. The system monitors and records key parameters such as equipment downtime, equipment idling and stoppages, and process defects to help us increase our operational productivity.

Digital Finance

The finance function is the biggest cog in an enterprise's performance wheel. Often considered as the most traditional role in company, the modern finance function is key to the adoption of digital technologies.

The finance department at Schaeffler India is no different. The team is in full support of the organisation's digitalisation drive and has embraced the digital transformation bringing in streamlined processes, improved efficiencies, increased collaboration, and better cost management. Some of the initiatives are:

e-Invoice

As per the mandate from Indian government, we have digitalised our invoice system and integrated our internal systems with government

portal. This initiative was successfully rolled out on 01.10.2020 and till date 300,000 invoices have been processed automatically

e-Way Bill

To ease the timely and seamless inter-state movement of goods, we have integrated our internal systems with government portals and launched the e-way bill facility on March 15, 2021. Till date, 5,000,000 e-way bills have been created automatically.

Others

Encouraged by the short adoption cycle, the teams have already initiated a number of projects to digitise traditional manual processes in the areas of employee direct tax, meetings and conferences, audits, payments, workflow for approval, stock keeping (using latest digital technology like HoloLens) and bank rationalisation among others. Even mundane tasks like invoice reader and a well-planned document management system are being rolled out digitally to ensure wide coverage.

Digital HR

We are pursuing the goal of implementing efficient and globally standardised and harmonised processes supported by a user-friendly, cloud-based human resources platform. In combination with a uniform HR data management the global data quality will be increased, the reporting capability extended, and the maintenance complexity of the HR system landscape reduced.

Three major initiatives that were launched under the digital HR initiative in India during 2020:

Learning Management System

Global portal to all learning offers of the Schaeffler Academy. Here, employees and managers can find an overview of all trainings and can book classroom trainings, Live Online Training and E-Learnings directly via the system.

Performance and Goal Management system

Doing away with the traditional bell curve process, the new Performance and Goal Management tool SuccessFactor aims to enhance individual performance and continuous development of employees. The new approach makes performance management transparent; careers of our employees are planned sustainably due to continuous dialogue via feedback between employee and manager.

Travel Management System

In today's world, ensuring employees' safety remains a top priority at Schaeffler India. The ability to pinpoint and communicate with the traveler, anywhere, quickly and accurately is critical, as alerts can be easily sent out should an unexpected event occur, or assistance can be rendered whenever required. New digital 'concur' system features an all-in-one modern, centralised digital solution for booking of business trips, similar to travel portals on the internet, and processing of claims, in accordance with standardised guidelines and processes. It is also easily accessible via PC or App.

Industry 4.0 – Schaeffler's offerings for customers

High-performance. Precise. Application-oriented. Schaeffler turns Industry 4.0 into practice – for increased customer benefits, sustainability, and efficiency. Even today, customers from a range of

sectors are already reaping the benefits of our 4.0 solutions. Smart sensors and mechatronic products from Schaeffler record data at the heart of the machine during operation. When combined with Schaeffler's system and modelling expertise, these real-time data form the basis for a digital image of the machine that makes further analysis and digital services possible. Our smart components and ready-to-install

systems are always perfectly tailored to the specific application. Convince yourself and benefit from Schaeffler Industry 4.0 solutions.



Benefits of Schaeffler's Service Solutions



SmartCheck



ProLink CMS

Digitising purchasing process

Implementation of Coupa

The Coupa procurement system streamlines procurement management processes so as to reduce costs while saving valuable time and obtain complete visibility with real-time dashboards that enables to understand cost and budgets. Implemented in a modular manner, the new digital NPM purchasing solution enables Source to Contract (S2C) visibility. Coupa enables state-of-the-art user interfaces, digital supplier-management, sourcing and contracting, transparent and audit-proof contracting and increased data quality and transparency.

Integrated Supplier Management System

Our integrated portal SupplyOn allows complete process automation including orders, scheduling, planning and dispatch monitoring. Schaeffler India initiated business directory registration for all the production material suppliers for maintaining supplier masters in system where suppliers upload their changes like contact person, certificates and company details among others. The digital tool is designed centrally to bring in greater transparency, speed and effectiveness into the entire value chain, driving effective decision-making.

Engineering excellence

	Automotive Technologies	Industrial	Automotive Aftermarket		
Products	<ul style="list-style-type: none"> Chassis components and systems Clutches and transmission systems Engine components and precision products 	<ul style="list-style-type: none"> Rolling and plain bearings Linear guidance system Maintenance products 	<ul style="list-style-type: none"> 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 REPPERT 	
Segments catered to	<ul style="list-style-type: none"> Commercial vehicles Passenger vehicles 	<ul style="list-style-type: none"> Tractors 	<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 Multi-brand garages Retail markets
Applications					<ul style="list-style-type: none"> 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.
Our expertise and experience	<p>Technologies designed to make vehicles cleaner and more fuel efficient</p> <p>Schaeffler precision products are key to reducing fuel consumption and emissions.</p>		<p>Precise. Reliable. Connected.</p> <p>This 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.</p>		<p>Advanced best-in-class service</p> <p>This division delivers innovative repair solutions in original-equipment quality.</p> <p>We offer comprehensive services to garages by conducting practical-oriented training seminars to increase the competency of the repair network.</p>

Our business segments are integrated and we often have common customers across them. While industrial and automotive businesses provide relevant products to customers, the Automotive Aftermarket segment is largely focused on providing services. The latter plays an important role in growing our reach and connect with mechanics and other influencer groups. This in turn, facilitates the growth of the automotive business and strengthens the Schaeffler brand recall. Thus, these businesses complement one another and enable us to maximise the opportunities while keeping the risks firmly in check.

In this scenario, we have adopted an external reporting system wherein a part of our revenues from both the businesses is clubbed under 'mobility components and related solutions'. Revenues generated from providing services across the three segments is reflected in the 'others' segment.

Designed to deliver. Geared for growth.

Capitals	Defining our capitals	Inputs	Outputs	Outcomes
Financial capital <p>p.22</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 ₹ 11,663 million*</p> <p>Working capital ₹ 19,740 million*</p> <p>Equity capital ₹ 313 million*</p> <p>Reserves and surplus ₹ 31,090 million*</p>	Our businesses Automotive (Technologies and Aftermarket) Industrial <p>p.10</p>	<p>Revenue ₹ 37,618 million#</p> <p>Free cashflow ₹ 4,572 million#</p> <p>EPS ₹ 93.1#</p> <p>Dividend payout ₹ 38# on face value of ₹ 10 per share</p> <p>Productivity per attendance hour (5-year CAGR) 7%</p>
Manufactured capital <p>p.5, 20</p>	<p>Our operations are conducted through a state-of-the-art infrastructure of manufacturing facilities and logistics centres. We manufacture best-in-class products at our facilities.</p> <p>We regularly upgrade the technology, and focus on improving the safety and reliability across all our facilities.</p>	<p>Plant, machinery and equipments (gross) ₹ 12,960 million*</p> <p>Production facilities 4</p> <p>Capital expenditure ₹ 2,377 million#</p>	Our processes How we do business Management process / Support processes <p>p.28, 30</p>	<p>Total installed capacities 463 million pieces*</p>
Intellectual capital <p>p.32</p>	<p>Our Parent Group's expertise and continued thrust on R&D provides us with 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 strong brand value are testimony to our growing strength.</p>	<p>R&D expenditure ₹ 758 million#</p> <p>R&D employees 163**</p>	Segments we cater to Automotive Engine, Chassis and Transmissions Industrial Direct Business: Railways, Wind Energy, Two Wheeler, Off Road, Power Transmission, Industrial Automation, Raw Materials. Indirect Business: Industrial Distribution business Catering to SMEs, Retailers and MRO Markets	<p>Technical papers published 3#</p> <p>Patent applications originating from India 14*</p> <p>Both our R&D centres in India are approved by the Department of Scientific and Industrial Research (DSIR)</p>
Human capital <p>p.52</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, encourages innovative thinking and equips them with the right tools and trainings for their development. 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 promoting lateral and divergent thinking. It helps foster innovation and flexibility.</p>	<p>Permanent employees 2,794</p> <p>Training hours 30,000+</p> <p>Employee welfare benefits ₹ 219 million#</p>	<p>Employee retention rate 98.6%</p> <p>Average tenure of employees in the company 11.5 years* (increased from 11 in 2019)</p>	
Social and relationship capital <p>p.44, 48</p>	<p>We are committed to creating holistic value and drive inclusive growth across our communities.</p> <p>We are focussed 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 ₹ 251 million**</p> <p>Supplier meetings 38#</p> <p>Advertising and sales costs ₹ 224 million**</p>	<p>Women employees (as a % of total employees) 2.8% versus 2.6% in 2019</p>	
Natural capital <p>p.42</p>	<p>At Schaeffler, taking 'responsibility for tomorrow' is an essential part of our strategy.</p> <p>We aim to achieve carbon neutrality at our production facilities by optimising the use of natural resources such as land and water, reducing energy emissions and consuming raw materials in a prudent manner.</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>Solar power consumption 51,43,932 kWh#</p> <p>Water consumption 1,84,740 m³#</p>	<p>Schaeffler managed Mobile Healthcare units Provided health consultations to 3.07 lakh+ patients* Covered 78 villages in Vadodara and Talegaon*</p> <p>Suppliers with QMS Certification IATF: 275* ISO 9001: 58* ISO 14001: 164*</p> <p>Outstanding shareholder complaints Nil#</p>	
			Automotive Aftermarket reach 40,000+ Mechanics 25,000+ Garages	<p>Reduction in CO₂ emissions (Scope 1 and 2) 10%# over 2019</p> <p>Reduction in electricity consumption 11%# over 2019</p> <p>Reduction in water consumption 15%# over 2019</p>

* As on December 31, 2020
 ** Over the last three years ending 2020
 # For the year ending December 31, 2020

Why Schaeffler India?



Strong parentage

Our parent, Schaeffler AG is renowned for being a pioneer in innovation. Over the past seven decades, it has progressed swiftly on the path of growth and all-round value creation. Its global reach, expertise, quality-focused approach and technology-led products lend it an unmatched lead in the market. The parent supports us across our operations and is leading by example.

Among top 3

Players globally across most segments

2 out of 4

Wind turbines use Schaeffler products, globally

26,000+

Patent registrations till date



Prominent market position

We provide a wide array of innovative solutions under the brands of Schaeffler, LuK, INA and FAG. Our leading position as a supplier to both industrial and automotive segments is an outcome of our robust distribution network, customer-centric approach and strong brand salience. Our ability to respond quickly and effectively to the changing needs of our customers helps us stand out in the crowd.

Among top 3

Suppliers for most leading OEMs in India



Innovation in our DNA

At Schaeffler India, we celebrate a strong culture of innovation. In India, we bring relevant innovative products of the Group and customise them to meet the needs of our clients. Our innovation spectrum cater to all key business segments, leverage best-in-class technology and enables the industry to progress forward. Our India-based R&D and incubator centres help us build local competencies and gain market share in the Indian market.

107

Patent applications originating from India (2017-2020)



Strong financial profile

Our disciplined manner of managing our finances has enabled us to maintain a solid financial profile. For us, growth and profitability go hand in hand, and we have shied away from taking uncalculated risks and growing aggressively. This, along with our debt-free balance sheet have held us in good stead across the ebbs and flows in our journey. Our strong focus on corporate governance additionally, continues to steer the organisation as we scale newer heights of governance leadership.

Net worth (₹ in million)

31,403
2020

12,873
2015



Increasingly diverse portfolio

Our diversified and complementary suite of products and services helps us serve a wide gamut of consumers across business segments. Our innovative and future-ready offerings enable us to stay relevant and provide superior experiences to our customers. Our offerings provide customers with unmatched reliability, efficiency and technology.

Wide range of products

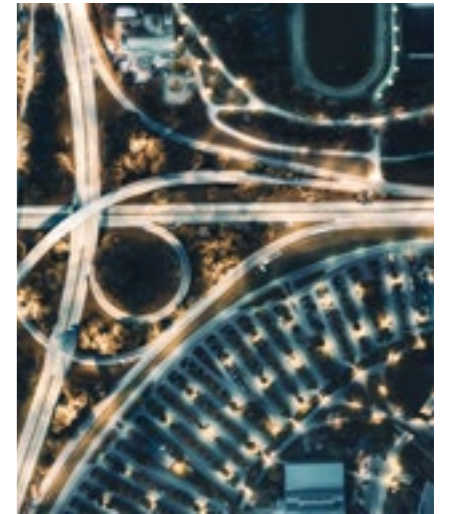
Automotive

Engine, chassis and powertrain solutions and Aftermarket repair solutions

Industrial

40,000+

Catalogue products for applications across varied industries



Potential to deliver strong growth

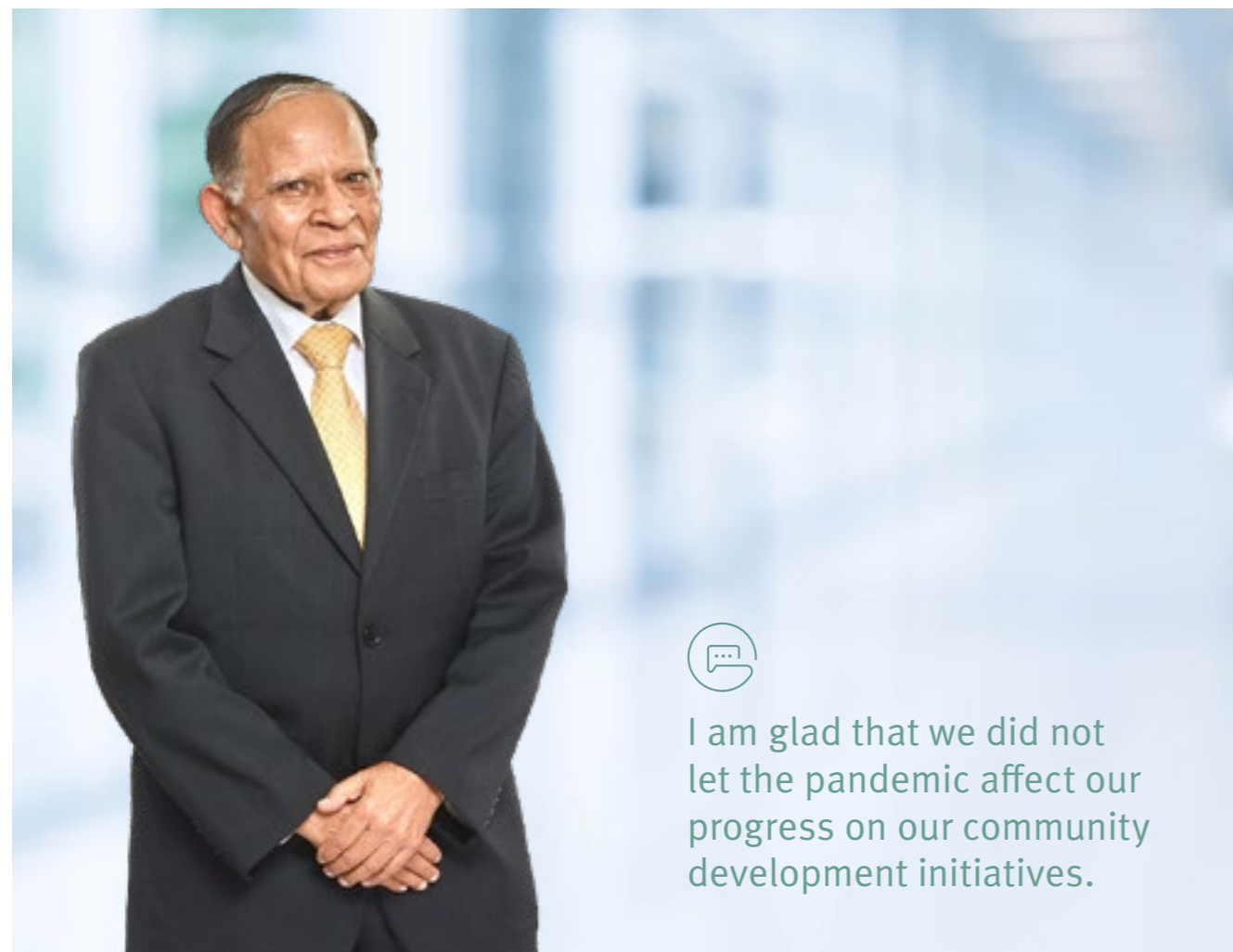
Our well-defined strategies encompass all potential opportunities across our businesses and aim to optimise the strengths of our business model. Our continued emphasis on R&D, technology adoption, and localisation along with efforts to drive efficiencies across all domains will enable us to take our company to its next level and also achieve greater operating leverage. Macro trends such as rising per capita consumption in India and strong demand from core sectors are some of the catalysts for growth in the future.

Per capita consumption growth estimate in India during 2019-2030

Rural	Urban
4.3x	3.5x

Source: World Economic Forum report, January 2019

Delivering quality. Focusing on value creation.



I am glad that we did not let the pandemic affect our progress on our community development initiatives.

“We continued on our commitment to provide access to healthcare and empower the community through our Nitara and the STEP programmes. We also actively supported the government, regulators and communities in overcoming the challenges arising out of the pandemic.”

Dear stakeholders,

The year 2020 was an unprecedented one in every sense. It tested our abilities to withstand enormous challenges, which brought out our collective strength to push through paradigm shifts. Before delving deep into our performance during the year and the road ahead, let me wish all of you and every member of your family the best of health and wellbeing.

We had entered the year on an optimistic note with green shoots of economic recovery visible across sectors after a period of structural slowdown. The auto industry growth appeared to be bottoming out. As we approached the end of Q1 2020, the coronavirus pandemic brought economic activities to a standstill, disrupted supply chains globally and threatened lives and livelihoods.

“The government’s quick response to minimise the pandemic impact stabilised the economy. Stimulus measures equivalent to 10% of GDP were announced. When a gradual opening up began in June, the recovery has been swift and much sharper than previously expected, boosted by strong pent up demand followed by festive spending.”

Resilient in the face of adversity

At Schaeffler India, we adopted a proactive approach to navigate through these challenging times. We activated our crisis management plan even before the nationwide lockdown was imposed. Our focus remained on ensuring the health and safety of our key stakeholders while maintaining the highest level of transparency. We also set in motion our business continuity plan to limit the impact on our performance. As the engines of economic growth started rolling again in the second half of 2020, our performance too gathered momentum. We managed to close the year with margins and profitability at pre-pandemic levels.

The road to recovery

The government’s quick response to minimise the pandemic impact helped stabilise the economy. Stimulus measures equivalent to 10% of GDP were announced. When a gradual opening up began in June, the recovery has been swift and much sharper than previously expected, boosted by strong pent-up demand followed by festive spending. Auto sales too witnessed a steady growth trend.

The pandemic notwithstanding, we continued to make investments in high-priority areas such as capacity expansions, innovation and digitalisation during the year. As the Schaeffler Group redefined its strategy under Roadmap 2025 to become more competitive and fit for the future, we have aligned ourselves with the same.

Reinforcing commitments to the society

I am glad that we did not let the pandemic affect our progress on our community development initiatives. We continued on our commitment to provide access to healthcare and empower the community through our Nitara and the STEP programmes. We also actively supported the government, regulators and communities in overcoming the challenges arising out of the pandemic.

Moving forward with optimism

We are confident of gaining momentum in 2021. Our healthy performance and continued investments hold us in good stead. We, the Board of Directors of Schaeffler India, are strongly committed to successfully stewarding the company towards sustained value creation for all of you.

I would like to extend my heartfelt gratitude to every member of Team Schaeffler India for their invaluable contribution. I am grateful to all our stakeholders, including customers, shareholders, our business partners, regulators and society at large for believing in our vision and capabilities. Special thanks to our parent company for their constant support and guidance.

Sincerely,
Avinash Gandhi

Excellent teamwork. Strengthening our fundamentals.



Crises have a way of bringing people and communities together. 2020 redefined relationships on personal and professional front while teaching us the true meaning of the words - **compassion, teamwork** and **empowerment**.



Dear stakeholders,

The past year has been a period of unprecedented disruptions coupled with major economic dislocations. This once-in-a-century incident cast unforeseen obstacles and highlighted how quickly the world can change. The safety and care of our employees was paramount and the appropriate and necessary measures to alleviate the stress and pain of the pandemic were deployed effectively. The pandemic also demonstrated our ability to collaborate, adapt and find new ways of keeping our promises to our customers, employees, shareholders in extraordinary situations.

This resilience and ability to overcome adversities is also reflected in our performance for the year 2020. Our sound strategies and strong execution capabilities have enabled us to deliver a good performance.

A year of distinction

Faced with the COVID-19 scenario, we enhanced our engagement with our stakeholders to be able to provide them with stronger support. At the same time, we continued to ramp up our capabilities and introduced some distinct products across business segments. We launched two new products – Schaeffler TruPower range of lubricants for Aftermarket customers and OPTIME solution for the industrial segment. Both have been received well in the

market on account of their superior value proposition and multiple benefits to the consumers.

Green shoots of recovery

A large part of 2020 was full of uncertainties, owing to the developments related to the pandemic. However, it is important to note that economic activity has been picking up gradually over the past few months. Automobile sales, for instance, registered 11% y-o-y growth in the month of December. Though overall Index of Industrial Production (IIP) and core sector continues to decline, a deep-dive reveals positive growth in certain pockets (production of cement, steel, coal, and electricity).

Retail inflation remained above RBI's comfort level of 4+/-2% for most of the year and started to cool off in December. While the overall consumer sentiment remains weak, especially in urban India, a path to recovery is surely emerging, aided by concerted efforts of the government and RBI to boost consumption over the medium term.

Driven by determination

After witnessing weak demand in the first half of the year, we saw signs of revival from the third quarter onwards with pent-up demand coming into play. Coupled with cost rationalisation and process optimisation measures

to increase our operational efficiencies, we were able to maintain margins and healthy profitability. Thus, our revenues stood at ₹ 37,618.4 million and EBITDA margin came in at 14.4% versus 14.8% in 2019.

The well-diversified nature of our business helps us to maximise opportunities and limit risks. The optimum mix between automotive and industrial segments helps to balance out the risks arising out of volatility in the respective segments. The auto sector was among the few sectors that led the economic recovery, while industrial activity picked up with some lag. We were ready to capture this demand and further solidify our market positioning. As production resumed to normalcy from June onwards, all plants started operating at regular capacity. This aided our operational performance and ensured that we were there to serve our customers in a timely manner. Rail and wind sectors continued to drive demand from the industrial segment for another year.

Solid fundamentals, a promising future

The year 2020 reinforced our faith in our strategies, and we began 2021 on a positive note. Armed with the tools of innovation, agility, and forward-thinking, we are excited about our future journey. Reinvigorated by our parent's newly launched strategic Roadmap 2025 and inspired by its tagline 'We pioneer motion', we are committed to tracing a new trajectory of growth. We are moving swiftly to complete capacity expansion at the Savli plant and are strengthening our capabilities in R&D and innovation.

Our drive to deliver a superior customer experience is centred on our ability to innovate and provide solutions that help respond as closely as possible to our customer's expectations. The customer insights we gather help us innovate more effectively.

Onward and upward

We see significant potential for gaining share across all our business segments. In the automotive business, we are enhancing our capabilities to cater to vehicles across petrol, diesel, and hybrid categories. India's thrust on EV adoption presents us a massive opportunity to get ahead by bringing in our global expertise in high-quality offerings in the hybrid and EV space. In the industrial business, our efforts are aimed at providing holistic solutions to our customers.

Underpinning all these efforts is our commitment to best-in-class governance practices. These are a key drivers of our ability to engineer trust among all our key stakeholders and deliver a consistent performance over time. We are confident in our ability to deliver sustainable growth.

We are also stepping up our commitment to sustainability in more ways than one. While our innovative products enable greater efficiencies across industries, acting as a multiplier by helping them to reduce their carbon footprint, we are steadily improving on our Environment, Social and Governance (ESG) reporting practices.

Our gaze is now fixed on achieving our strategic priorities and seizing emerging opportunities swiftly. Driving technological excellence, enhancing operational efficiencies, fortifying our connection with the customers, and leading the way in innovation are key focus areas for us.



[Read more in the strategic overview page 28](#)

In conclusion

Crises are often termed as the true test of character of an individual, or an organisation. Over the course of the year, Schaeffler India has shown that we are a Company that leads by its values – Sustainable, Innovative, Excellent and Passionate – and will continue to do so, whatever be the challenge ahead.

I greatly admire our customers, our network of partners and dealers, the members of the executive team, and our employees for their herculean efforts during a period of unconventional and unexpected challenges experienced both professionally and personally. Your courage, decisiveness, and vision have contributed to our resilience as an organisation.

I would also like to express our deep gratitude for corona warriors across the world, as well as pride in India's success in developing the vaccine in a timely manner and initiative in reaching out to the world with the solution.

I am also grateful to all our stakeholders who continue to engage with us constructively on key matters that impact our businesses and support us along the way. Together, we make a strong ecosystem that is committed to large-scale progress for our communities and the country.

Sincerely,
Harsha Kadam

Engaging with customers. Eye firmly on success.

The lockdown impacted the pace of our work. However, we continued our efforts towards development and launch of distinctive, innovative and future-ready products across all business segments.



Automotive Technologies

Our enduring relationships with a wide array of Automotive OEMs have proved immensely beneficial to this business segment during the year. On the Aftermarket and distribution side, the cost rationalisation measures adopted last year have had a positive effect on our bottom-line. Material costs posed a challenge towards the end of 2019; but existing inventories helped us mitigate a deeper impact. Over the last four years, we have been developing a range of customised products for OEMs. In 2020, our content per car increased to €38 as against €33 in 2018.

During the year, we also witnessed strong business growth in the light commercial vehicle segment, as a result of completion of multiple projects that were in the pipeline. While the sector is still transitioning from BS-IV to BS-VI, we have already de-risked our business by increasing our presence in the gasoline engines segment. This helped us gain significant mileage with the country's top five OEMs across chassis, engines and transmission products.

Key products driving growth during 2020

Engine	Chassis	Transmission
FEAD Hydraulic Tensioner	Gen 3 Wheel Bearings	Clutch and Clutch Release System
Chain Drive System	DGBB & 4PCBB	DCT Dampers
HLA/RFF		CV Clutches
FEAD Belt Tensioner		Hybrid Damper
Fuel Pump Tappet		
Mechanical Tappet		
Rocker arm with HLA for Tractor		

Automotive Aftermarket

In October 2020, we launched a comprehensive range of lubricants for all vehicle segments under the brand name 'Schaeffler TruPower'. It covers up-to-date specifications (including those of latest BS-VI range) for engine oil, transmission fluid, grease, coolant, hydraulic oil and shock absorber oil. It combines hi-tech and premium base oil with enhanced additive technology that is designed to meet demanding requirements for Indian vehicles. This comprehensive range of lubricants is formulated to maximise the efficiency, performance and longevity of petrol and diesel engines.

The launch is in line with our strategy of offering products, which are a perfect value addition to our existing offerings, namely, transmission, engine and chassis products. Our lubricants are designed to improve performance of vehicles and enhance engine life.



Key benefits of Schaeffler TruPower

- Premium base oil with enhanced additives technology
- Comprehensive range across vehicle segments
- Future-ready oil meets upgraded specification
- From globally trusted brands (LuK, INA, FAG)



Industrial

Despite the tepid growth in the overall industrial sector in the initial quarters of the fiscal, we depended on our strong legacy of innovation to create differentiated products and retain our market position. In October, we also launched 'OPTIME' – an efficient and easy-to-use low-cost solution designed specifically for comprehensive and automated condition monitoring of all process-critical assets across all machines and equipment. The India launch of OPTIME is part of the overall launch in the entire Asia Pacific region.

The primary benefit of this product is that it helps in virtually eliminating unplanned machine and plant shutdowns.

Other benefits of OPTIME

- Highly scalable wireless IoT solution
- Easily integrates several hundred assets in a single day
- Saves up to 50% costs compared with manual offline measurement

OPTIME consists of wireless, battery-powered vibration sensors, a gateway, and an app to visualise and process the resulting data. The data captured by the sensors are analysed using specially developed algorithms that leverage Schaeffler's technical expertise. OPTIME provides several weeks' early warning of damage to

machine components such as electric motors, fans, and pumps. It also provides early warning of imbalances, misalignments, and knocking. With OPTIME, in-house maintenance crews and external service contractors receive specific recommendations on the remedial steps required, so they can easily plan their maintenance work, manpower requirements, and spare parts procurement in a timely and cost-effective manner. OPTIME can be used for a multitude of assets for which condition monitoring was previously not commercially viable.

We have set in motion the Schaeffler India Quick Centre. Here, we provide ready-to-fit customised linear guides solution as per customer application need in just one-tenth time. The key components of the Linear Assembly Guideways are carriages, stainless steel grip, magnets, end cap anchors, end seal, return guides, rail and grease fitting.

Benefits of the Linear Assembly Guideways

- High positional accuracy
- Long life with extremely accurate motion
- High speed motion with less driving force
- Equal loading capacity in all directions
- Effortless installation and lubrication
- Interchangeability and more

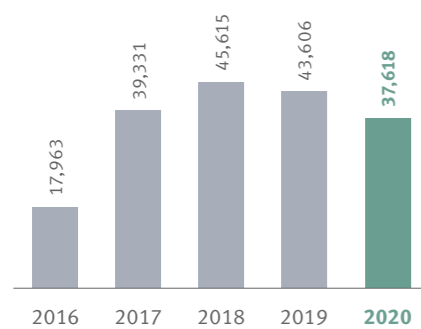


Resolute performance. Responsible for tomorrow.

Financial performance

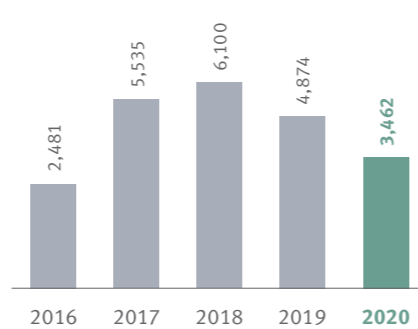
In a year full of uncertainties we focused a large part of our efforts in getting right our response to the emerging challenges. With growth being impacted, our goal was to achieve tighter control on our expenses and to raise efficiencies by removing bottlenecks across our operations. This ensured that we were well-placed to capitalise on the opportunities when the pent up demand started being released in the second-half of the year.

Revenues (₹ in mn)



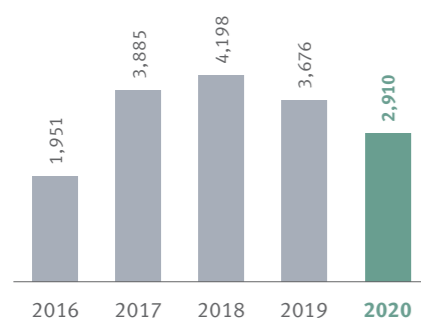
Growth y-o-y
4.2% 119.0% 16.0% -4.4% -13.7%

EBIT (₹ in mn)



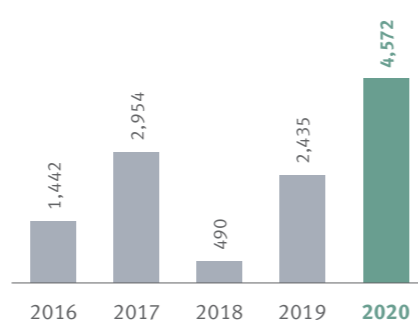
EBIT Margin
13.8% 14.1% 13.4% 11.2% 9.2%

Earnings after tax (₹ in mn)



EAT Margin
10.9% 9.9% 9.2% 8.4% 7.7%

Free cash flows (₹ in mn)

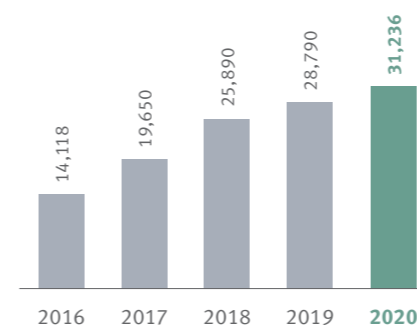


FCF-Conversion Ratio*
58.0% 53.0% 8.0% 50.0% 132.0%
*FCF/EBIT

Rewarding shareholders

Pandemic notwithstanding, we remain committed to creating value for all our stakeholders. We have remained steadfast on going ahead with our core business investments. Likewise, we decided to stay committed with increased dividend payout for the year 2020, despite sluggish performance. Our solid return ratios reflect our disciplined approach to managing our business and utilisation of capital, also rewarded by our investors' trust.

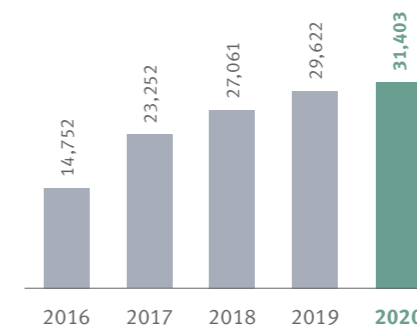
Capital employed# (₹ in mn)



ROCE
17.6% 28.2% 23.6% 16.9% 11.1%

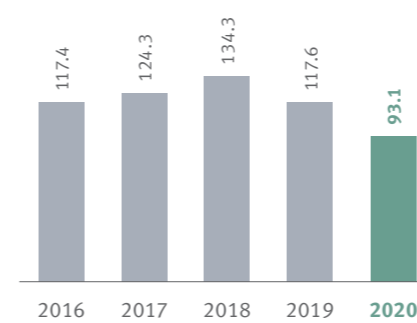
#Average capital employed

Net worth (₹ in mn)



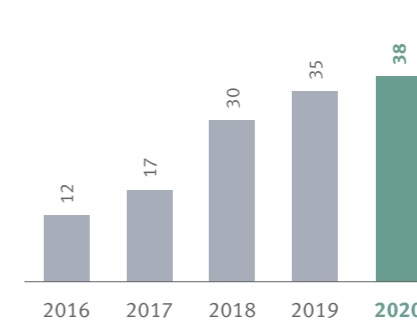
Growth y-o-y
14.6% 57.6% 16.4% 9.5% 6.0%

Earnings per share (₹)



Growth y-o-y
-1.2% 5.9% 8.0% -12.4% -21.0%

Dividend per share (₹)



Growth y-o-y
20.0% 41.7% 76.5% 16.7% 9.0%

Enabling safety. Strengthening relationships.

With the onset of the pandemic, protecting the interests of all our stakeholders was top priority for us. We worked closely with all stakeholders – spreading awareness about the pandemic, understanding their issues and providing support to the extent possible.



Employees

- Leadership outreach to all sections of employees to reassure and keep them updated
- Made timely payment of salaries to employees
- Ensured the safety and well-being of employees much before official lockdown
- Enabled work-from-home with a dedicated VPN gateway for India
- Conducted regular online trainings/webinars covering 100+ different topics on technical, functional, managerial and behavioural domains.
- Completed more than 30,000 man-hours of online training
- Conducted online sessions on meditation and well-being
- Conducted Google talk or MS Team based quizzes and training for operating group employees
- Undertook sanitisation, provided PPE and safety kit on priority at all plants
- Used video messages to explain health and safety SOPs
- Outlined EHS SOPs protocols for corporate and sales office locations

Customers

- Formed taskforce including freight forwarder, custom clearing agent and Schaeffler logistic team to clear over 220 containers in record two weeks
- Consulted regularly with suppliers about their ability to supply against schedule through survey
- Formed a taskforce during lockdown to prepare the facility and subsequent permission for warehouse operation during unlock phase
- Prepared in advance and reviewed all incoming vessel schedules to undertake necessary planning to meet customer requirements
- Created alternate transportation arrangements between plant and warehouses for faster delivery
- Booked space with shipping line and airlines, so that outbound material get the priority loading preference



Communities

- Based on the state government guidelines, 22 villages around Schaeffler Talegaon plant were provided with Arsenic Album tablets as prophylactic measure against COVID-19 pandemic in June 2020
- Three Mobi Health Units reached out to villages regularly

Business partners

- Ensured availability of adequate working capital
- Made timely payments to suppliers and service providers
- Monitored regularly supplier data – emergency reporting, health monitoring, site safety, visitors monitoring, concerns
- Consulted regularly with suppliers about their ability to supply against schedule through survey
- Informed suppliers on smooth re-start of production and ensured stable operations with quality and delivery
- Communicated with suppliers on measures to be taken during restart phase

Government and regulators

- Our employees donated whole-heartedly in company's contribution of ₹ 13.0 million to the PM CARES Fund
- Contributed ₹ 6.0 million to buy ventilators and other medical equipment to build ICU at the district hospital, Aundh, Pune
- Donated ₹ 1.0 million to ESIC Hospital in Krishnagiri, Hosur, for procuring medical instruments
- Donated PPE kits, masks and medicines worth ₹ 0.5 million to the district health department in Vadodara, Gujarat

Evolving opportunities. Fortifying preparedness.

Favourable government policies

The central government has been focusing on driving reforms across all key sectors to boost the growth of the Indian economy. Prominent reforms and policies such as the Atmanirbhar Bharat Abhiyan, vehicle scrappage policy (announced in the Union Budget 2021-22), the Corporate Average Fuel Efficiency/Economy (CAFÉ) norms bode well for the automotive and ancillary industries. While COVID-19 has delayed revival in private capex in the near term, this metric is expected to gather momentum over the next

couple of years. Favourable policies of the government, greater emphasis on the infrastructure sector and India's rising 'ease of doing business' ranking are key enablers to the growth of the industrial sector in India.

Our response

We are cognisant of and concur with the direction of reforms taken by the Government of India and regulators. Accordingly, we are fortifying our capabilities to offer relevant products and promote local sourcing, while ensuring that our carbon footprint is optimised.

Healthy outlook for emerging mobility technologies

Migration towards EVs: Regulations aimed at combating risks arising from climate change are transforming the automotive industry significantly. Emerging mobility technologies are enabling this transformation. With an aim to achieve full migration towards Electric Vehicles (EVs) by 2030, the Government of India is providing incentives for the purchase of EVs and the development of charging stations. This is done under the Faster Adoption and Manufacturing of Hybrid & EVs in India (FAME India) scheme. Lower GST rates on EVs, and better EV charging infrastructure are other drivers of EV adoption in India. 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.



Alternative fuels: The potential of using hydrogen as an alternative fuel is increasingly gaining importance across industries globally. India has unveiled a national hydrogen mission to accelerate plans to generate carbon-free fuel from renewables. In the Union Budget 2021-22, the Government of India has pledged to focus more on generating hydrogen from green power sources and build a diverse and energy-efficient infrastructure. It also plans to allocate an additional \$344 million to businesses, which are adopting solar and other renewable forms of energy. This demonstrates the fact that the government is keen to expedite the process to embrace hydrogen as an alternative fuel in a country that imports 80% of its crude oil requirements.

Our response

Our parent has extensive expertise in providing high value offerings to hybrids and EVs. We are leveraging this to capitalise on the EV opportunity in India.

Globally, we are now a steering member in the Hydrogen Council, and we develop key components for fuel cells and fuel cell stacks called 'metallic bipolar plates'.



Strong traction for steel and cement sectors in India

India became the second-largest steel producer globally in 2019. However, there was a dip in production in 2020 owing to the pandemic-induced lockdown. As the economy recovers from the impact of the pandemic, demand for steel is likely to revive strongly. The National Steel Policy, 2017, envisages 300 million tonnes of production capacity by 2030-31. India's relatively low per capita steel consumption, increased construction activity and growing demand from automotive and railways augur well for the growth of the steel sector.

India is the second-largest cement producer in the world with overall cement production capacity of ~545 million tonnes in FY20. Cement sector in India has strong growth prospects amid rising demand from housing, commercial construction, and industrial construction sectors.

Our response

Our industrial business caters to several large players in the steel and cement sectors. We are engaging closely with existing and potential customers in these sectors to provide them with distinct products and services.

Continued order inflows from railway and wind energy segments

Capex by the Indian Railways stood at its historical high in FY20 (₹ 1,561 billion) and Ministry of Railways estimates capex requirement of ₹ 50 trillion by 2030. Robust network expansion and capacity augmentation, rolling stock induction and other modernisation works will keep demand strong from the 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 other demand drivers from this sector.

India has the fourth largest installed wind power capacity in the world at 38.124 GW. 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 response

Indian railways is one of the largest customers of our industrial business. We will continue to partner with them in their journey of growth. Similarly, we work closely with wind power companies and are witnessing continued traction in this segment.

Read more in the management discussion and analysis on page 62





Aligning ourselves to Roadmap 2025

Roadmap 2025

In November 2020, our parent company, Schaeffler AG announced their five-year plan – 'Roadmap 2025'. It outlines the strategy, implementation plan and medium-term targets for the parent and its subsidiaries. The strategy was crafted keeping in mind the objective of making Schaeffler more competitive by becoming more future-ready. The Group is working towards realising more synergies to creating lasting value.

The objective, which is aptly emphasised by the claim of 'We Pioneer Motion', is aligned with Schaeffler's claim of being the preferred technology partner for its customers in the future.

The Group will continue to focus on its core strengths, while simultaneously driving improvements in areas where it can do better. This means that the following four differentiating factors will be critical for the Group's success:

-  Innovation
-  Manufacturing excellence
-  Top quality
-  System understanding



The Group's objectives include:

Create long-term value	Efficient allocation of capital
Generation of free cash flow	Achieve carbon-neutral production operations from 2030 onwards

Business segments	Strategic priorities
Automotive Technologies	<ul style="list-style-type: none"> Accelerating the portfolio's transition towards electric mobility and chassis applications
Automotive Aftermarket	<ul style="list-style-type: none"> Maintaining the existing high margins Utilising growth opportunities in the independent Aftermarket segment
Industrial	<ul style="list-style-type: none"> Entering new growth sectors Consistently improving profitability

Five future trends that represent strategic opportunities for Schaeffler:

- Sustainability and climate change
- New mobility and powertrain electrification
- Autonomous production
- The data economy and digitalisation
- Demographic change

The Group is working towards maximising these opportunities across all its markets.

At Schaeffler India, we have fine-tuned our strategic priorities to be aligned with the Group's Roadmap 2025. Divisional growth and diversification plan form the pillar of our strategies for the next few years. All three business divisions have their own strengths, and we have formed strategic priorities for each business segment based on the market trends in each division. These are supported by functional strategies across operations, supply chain, people and technology.

Schaeffler India's plan for alignment to Roadmap 2025

ESG		
Division plan		
Automotive Technologies	Automotive Aftermarket	Industrial
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sustainable and efficient operations footprint		
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New product development and innovation		
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Winning people strategy		
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Leadership in corporate governance		

Advancing on our strategic priorities

1

Further strengthen our local manufacturing footprint

Ramping up our manufacturing capabilities is an important enabler of our growth. COVID-19 has not prevented us from going ahead with these planned investments; we continue to work on expanding our plants at Savli in Vadodara and Talegaon in Pune. Our focus is to enhance our engineering capabilities to meet existing as well as future demand.

Fortifying capabilities

Total manufacturing floor space (sq. mtr.)

89,604

2020

72,452

2016



2

Increase localisation

Procuring resources locally entails several benefits. It contributes to the growth of our communities. It enables us to rationalise costs, which, in turn, helps us offer competitive prices. Finally, it boosts the efficiency and profitability of our operations.

Localisation ratio (%)

2020	<div style="width: 76%;"></div>	76
2016	<div style="width: 71%;"></div>	71



3

Build local R&D capabilities

Over the past few years, it has been our constant endeavour to develop and strengthen our own R&D capabilities. We have built two R&D centres, one each in Pune and Hosur, for this purpose. The objective is to become self-sufficient and optimally use the expertise of our parent. Our extensive R&D capabilities have helped us to launch relevant products customised to the needs of Indian customers.

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

₹ 2,555 mn

4

Optimise our logistics network

The integration of our four Central Distribution Centres (CDCs) in Mumbai, Vadodara, Gurugram and Hosur with the two distribution centres in Kolkata and Chennai has made us more efficient and helped reduce costs.

There are significant benefits of having a single location, single invoicing for all three brands, reducing the deployment of resources in the same set of tasks. This new warehouse management system has helped us save time, money and efforts across different stages. These include delivery of materials to customers, documentation and planning. The new system enables better control of uncertainties faced during transit of goods. We continue to further optimise these systems.

Business segments	Strategic priorities
Automotive Technologies	<ul style="list-style-type: none"> Enhance customer centricity by: <ul style="list-style-type: none"> Strengthening the key account management team Leveraging valuable customer insights Strengthening our market position by adhering to new norms such as CAFÉ, among others using technology Catering to new entrants in the automotive sector Strengthening presence in light and heavy commercial vehicles
Automotive Aftermarket	<ul style="list-style-type: none"> Continuing to diversify the product portfolio Collaborating with online marketplaces across B2B and B2C Strengthening brand communication
Industrial	<ul style="list-style-type: none"> Growing customer base and strengthening connect with existing customers Offering complete solutions rather than only products



TARGETING R&D AND SELF-SUFFICIENCY. BECOMING MORE COMPETENT GLOBALLY.

R&D and innovation form an integral part of our growth strategy. Our endeavour is to provide ‘local solutions using global technology’ with a shorter time-to-market. We leverage valuable customer insights for creating products that fulfil their requirements. We are scaling up our competence and capabilities in the areas of mechatronics and software development to cater to the global markets.

Strategy linkages



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



Recent R&D initiatives

An R&D hub for two- and three-wheelers

We have established an R&D hub for two- and three-wheelers in Pune. The focused local approach has helped to create several innovative products relevant to present and future market requirements – technologies spanning from optimised ICE powertrain to advanced fully electric powertrain systems. The hub files 15 to 20 patents every year.

Key achievements in 2020

- Developed an automatic two-speed transmission for electric three-wheelers and engaged with major OEMs for its implementation. This product is a mechatronics system with elements of mechanical, electrical, electronics and software integrated together into a smart powertrain solution fit for the local market.
- Enhanced our system level testing capability
- Undertakes vehicle level energy simulation for EVs



Test capability enhancement

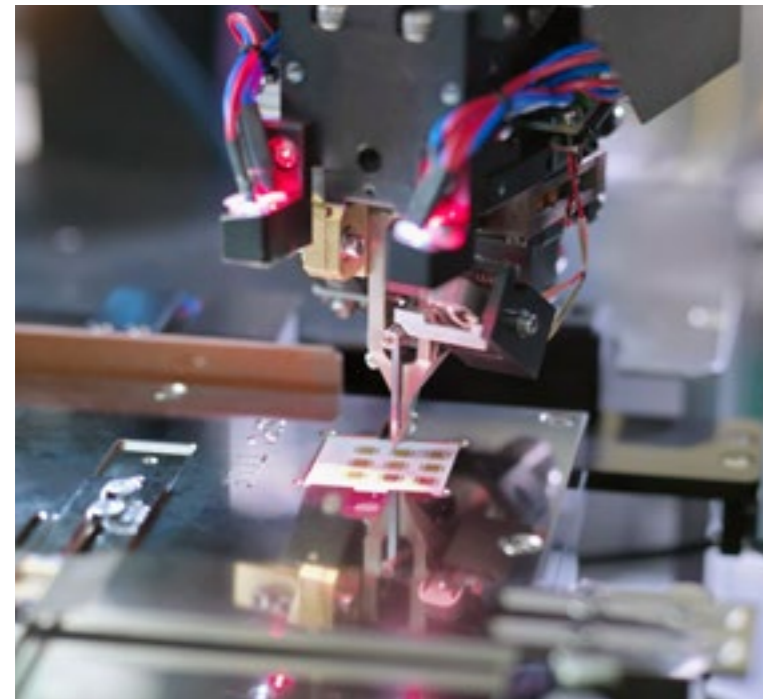
As we move up in the value chain from a mechanical component supplier to an integrated system supplier, product validation is becoming increasingly more important. In line with future product development roadmap, in-house test capability is being continuously enhanced.

Key achievements in 2020

- Added several functional and durability test facilities in-house including:
 - Special Bearing Test Rigs
 - Anechoic Chamber
 - Powertrain Dynamometer
- Maintained focus on building all new test rigs locally

Simulation on failure prediction during design phase

We are minimising the number of physical test iterations by frontloading them with virtual validation of product during the design phase. Through this process, potential product failure can be verified virtually, and product can be optimised during design phase. We are extending this capability to other product lines.



Schaeffler India Mechatronics Center
Evolving customer needs continue to drive a dynamic business environment. As complexities increase development cycles. Mechanical components are evolving to become systems with electronics embedded into them to perform desired functions, making them intelligent. Schaeffler is no longer a mere component manufacturer but brings in systems level expertise. Considering India's unique engineering and technology talent pool, we are in the process of establishing a Mechatronics Center in Pune and ramp it up gradually. The centre will support Schaeffler's global mechatronics development and drive stronger contribution from India.

Forum of Inspiration: India

Forum of Inspiration is an internal platform at Schaeffler India where all the functions get the opportunity to showcase their innovation acumen and inventive spirit. A sound follow through mechanism is in place to ensure that all good ideas get implemented. Overall, this platform is doing its part in enabling higher production, business process efficiency and timely new product launches in the market.

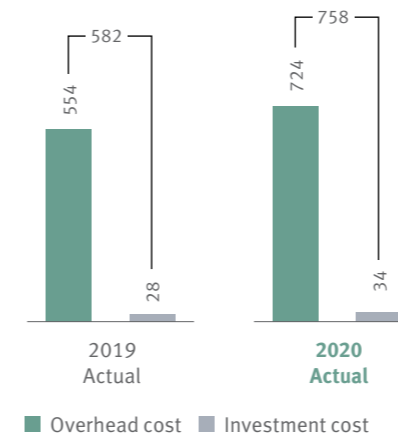
Key achievements in 2020

1,800+ Ideas created on product and process innovations across Schaeffler India

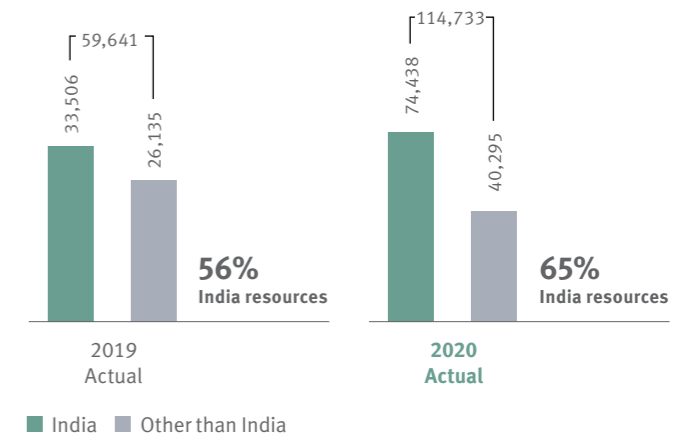
55 Ideas were selected and presented to the senior leadership



Growing R&D investments
(₹ in mn)



Strengthening our R&D capabilities
(Manhours)



Key products launched in 2020

Automotive technologies

- Introduced clutch systems to new passenger car and truck applications
- Implemented advanced wheel bearings in new platforms of Maruti-Suzuki and Tata Motors
- Started supplies of new valve train, timing drive and water pump components to major OEMs
- Developed axle box housing for Alstom India for their Mumbai line 3 and Montreal metro coaches
- Introduced industrial SNV housing kits
- Introduced clutch portfolio for pass cars, light and heavy commercial vehicles
- Developed rocker arm with HLA for tractor application
- Advanced DCT Dampers for dual clutch transmissions
- Launched friction optimised Gen 3 wheel bearings for customers and Gen 1 wheel bearings for light commercial vehicle segment

Automotive Aftermarket

- Launched a complete range of engine oil, transmission oil, grease, coolant, hydraulic oil and shock absorber oil under the Schaeffler TruPower brand

Industrial

- Extended inner ring spherical roller bearing developed for export market
- Extended current insulated bearing local range to e-motor applications
- Extended steering races product range to three-wheelers
- Introduced starter one-way clutch with torque limiter function in various two- and three-wheelers

DIGITALISING SWIFTLY. ENRICHING CAPABILITIES.

Schaeffler India has been swiftly embracing digitalisation to accelerate the technological transformation of its operations. Amid several travel restrictions in the post-pandemic world, we turned to Augmented Reality solutions to ensure smooth functioning of our operations.

In September 2020, under the 'Digitalisation@Operations India' initiative, we launched the Microsoft HoloLens 2. Microsoft HoloLens 2 is a pair of mixed reality smart-glasses that allows true interaction with 3D models integrated into the physical world. The glasses are independent and very easy to operate using gestures, language, and head movements.

Schaeffler India is among the 50 Schaeffler locations worldwide to have implemented this project. We identified key users across all four plants and trained them (on operating the Microsoft HoloLens2) by our experts from Germany. The project played a crucial role in providing remote assistance to first line workers and thereby improving overall productivity across locations.

Strategy linkages



With Microsoft HoloLens 2, we can provide remote assistance to our teams for:

- Installation and commissioning of various projects
- Repair maintenance in machine breakdown
- Guidance from experts at the headquarters and suppliers to on-site technicians
- Training and assisting first line workers in the difficult processes involved in manufacturing and servicing of complex equipment
- Providing services at our customers' premises

The manufacturing industry has always come up with innovation and has contributed remarkably to our nation's growth trajectory. Going forward, agile manufacturing (improving throughput time) will meet the volatile market requirements. Technology and digitalisation will play a substantial role and its usage will grow in competitive markets.

Some prominent cases where we used Microsoft HoloLens 2 glasses



Expansion at Savli plant, Gujarat
Using Microsoft HoloLens 2 glasses, the Schaeffler construction team in Germany could assist and provide instructions for on-site piping, air conditioning duct layout review, electrical panel inspection and study to the local team at Savli plant in India.

SLHS Assembly Area Module project in Pune

This project was undertaken by the Special Machine Building (SMB) team of India. Components ASEH and SLH were assembled and palatised online by two Selective Compliance Assembly Robot Arm (SCARA) robots. This is one of the first projects at SMB India with robotic pick-and-place and palletisation.

HoloLens 2 was pivotal for the commissioning of the SLHS Assembly Module by enabling easy remote guidance of robotic experts from SMB Erlangen HQ and Epson India for smoothening the commissioning of the robots and palletisers at SMB India.

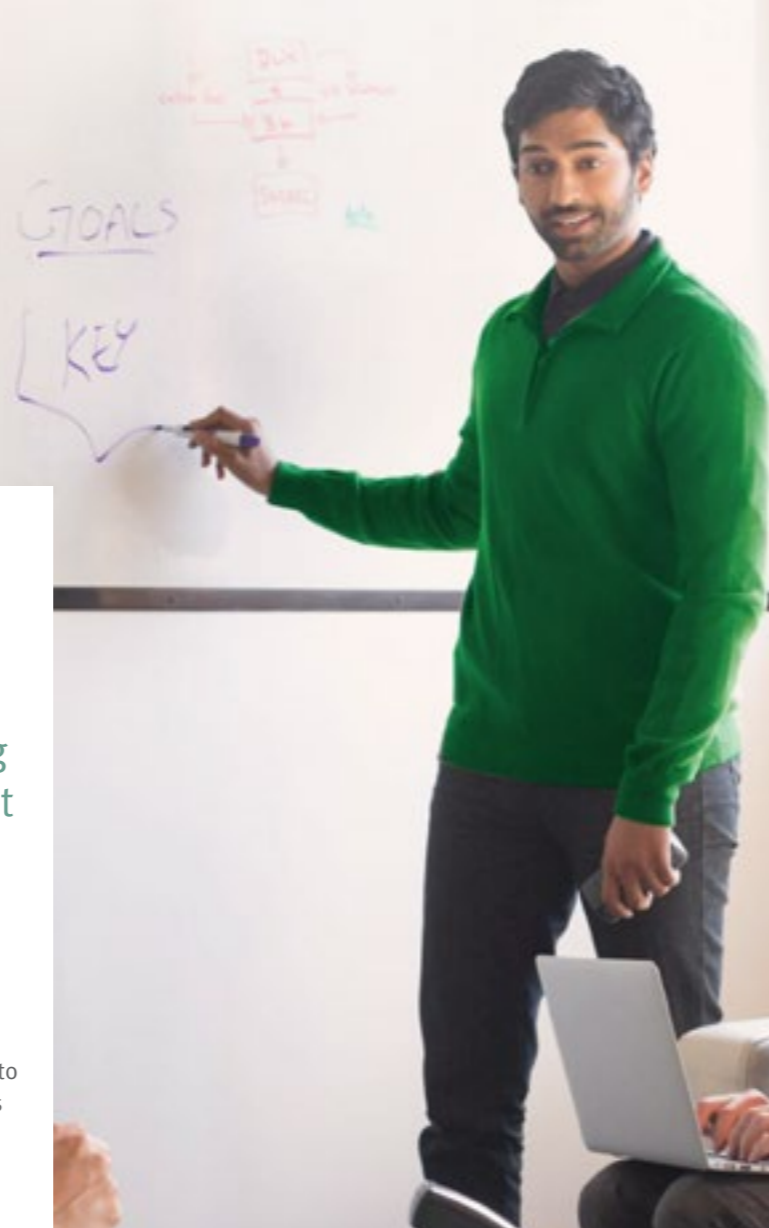


DRIVING EFFICIENCIES. ENHANCING OUR POTENTIAL.

At Schaeffler India, our approach is to achieve more with less. When faced with challenges posed by the pandemic, we turned our attention to becoming more prudent in the management of our financial capital. Our efforts to prioritise expenditure, minimise inefficiencies and redundancies have paid off well.

Post the lockdown, our purchase team enhanced efforts to drive improvements in material cost and de-risk supplies with localisation. This further aided our operational performance during the year.

Strategy linkages



Special Machinery is a strategic division of Schaeffler that was established in 2006 in India to build new production machinery and also to improve/upgrade the existing automation equipment across Schaeffler Plants. In 2020, Special Machinery was scaled up with newly built state-of-the-art facility at Maneja, Vadodara. Now it has a total assembly area of around 1600 m². A highly motivated and globally connected team of mechanical, electrical and software engineers continue to take on the challenges. The portfolio of these resourceful specialists encompasses assembly automation, measuring and inspection technology robotics and camera systems.

Most recent highlights of 2020 include development of CRB 120 Assembly Line and SRB 920 Assembly Line for Savli Plant, robotic solution for SLHS system assembly for Talegaon Plant, set up of EK17 Clutch Line at Hosur Plant.

Key operational achievements during the year:

Logistics management

- Schaeffler India won the CII's Supply Chain and Logistics Excellence (SCALE) Award'2020
- SCM and Logistic function of Schaeffler India was awarded with 'MOVE 3 Star'
- Started the Gurgaon Consolidation and Distribution Centre (GCDC) development project, Go-live is planned in February 2021
- Started consolidation of global freight
- Centralisation of logistics bill verification rolled out at Vadodara

Supplier management

- Rolling process optimised to improve the efficiency by installation of new caster at supplier end
- Consolidated sourcing to improve delivery efficiency and support on time customer requirements
- Worked with suppliers to enhance capacity by infusing additional investments by them
- Purchase team worked with suppliers to add the production lines and horizontally deployed the knowledge at local suppliers, thus creating additional production capacities
- Local suppliers demonstrated increased delivery of parts in 2020

Design optimisation in close coordination with the parent

- Worked on 'fit for application' concept driven by the parent to increase competitiveness in bearing business. This includes optimisation of design for some of the parts.

Derisking our import supply dependency

- Developed a child parts in line plant with investment to improve delivery time
- Identified alternate potential suppliers for risk mitigation, to meet additional demands and ensure seamless supplies. Supplies started in year 2020 from these suppliers.

Operations management

- Implementation of Variable Speed Drives (VSD)-based production
- DOJO training for operators to help in skilling, re-skilling and right skilling them
- Implementation of MTM

Suppliers trained in ethical practices

	(Nos.)
2020	351
2019	326

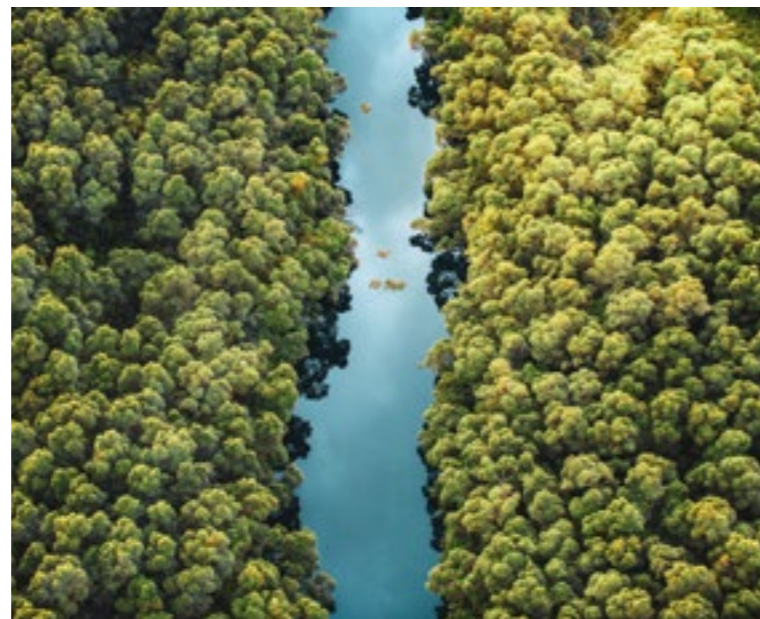
Sustainable progress. Long-term vision.

An organisation’s success is no longer measured just by its financial performance. Its contribution to conservation of the environment and its ability to conduct business in a responsible manner are equally important factors. At Schaeffler, we have always been aware of our impact on society and the environment and have consciously worked towards giving back.

Our sustainability strategy, ‘responsibility for tomorrow’ outlines our specific focus areas in this domain. Our annual sustainability targets across these focus areas act as guiding posts that ensure we are on the right track, even in the most challenging times.

We have identified the Sustainable Development Goals (SDGs), set by the United Nations General Assembly, which are aligned with our focus areas.

Sustainability is at the core of our policies when engaging with both internal and external stakeholders. We undertake effective sensitisation of people across different functions and business segments on the importance of achieving our sustainability targets.



As part of its CSR programme, Schaeffler India has consolidated its activities and focus exclusively on a few core areas, which will make a meaningful impact on the community and make a difference. HOPE is Schaeffler India’s umbrella initiative encompassing the values, vision and mission of the organisation. Through this initiative, Schaeffler India strives to contribute to the motto – ‘सर्वे भवन्तु सुखिनः’ (May everyone be happy). It is derived from the four core areas of focus – Healthcare, Occupational skill, Preservation of national heritage, art and culture and Empowerment of society. Under HOPE, Schaeffler India runs a number of initiatives for the four focus areas.











Likewise, we have put in place policies to ensure we partner with organisations, which conduct their business in a responsible manner. These are applied across our entire supply chain, right from sourcing of raw materials to delivery of final products to the customers.

We have a comprehensive ‘Supplier Code of Conduct’ 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.

Our plants and operations have received various certifications, namely, ISO 14001 – Environment Management (EMS), EMAS III – Eco-Management and Audit, ISO45001 – Occupational Health and Safety and ISO 50001 – Energy Management (EnMS).



Our sustainability focus areas include:

Focus areas	Key indicators	SDGs
Resources	<ul style="list-style-type: none"> Non-renewable content Restricted substance management Reused/recycled content 	 
Products	<ul style="list-style-type: none"> Product safety Green innovation Environmental impact during use Environmental impact at disposal 	  
Operations	<ul style="list-style-type: none"> Water conservation Energy optimisation Land management Pollution control 	 
People	<ul style="list-style-type: none"> Health and safety Employee training, development and welfare Community support and care 	  

Greening today. For a healthier tomorrow.

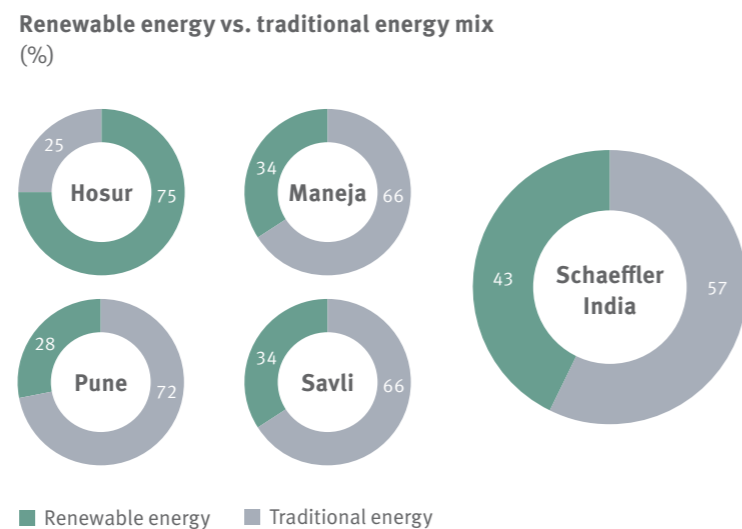
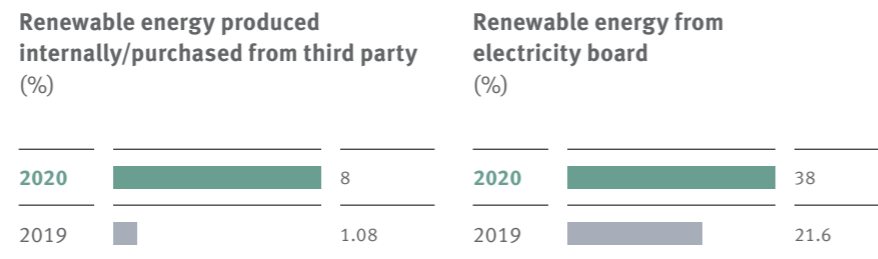
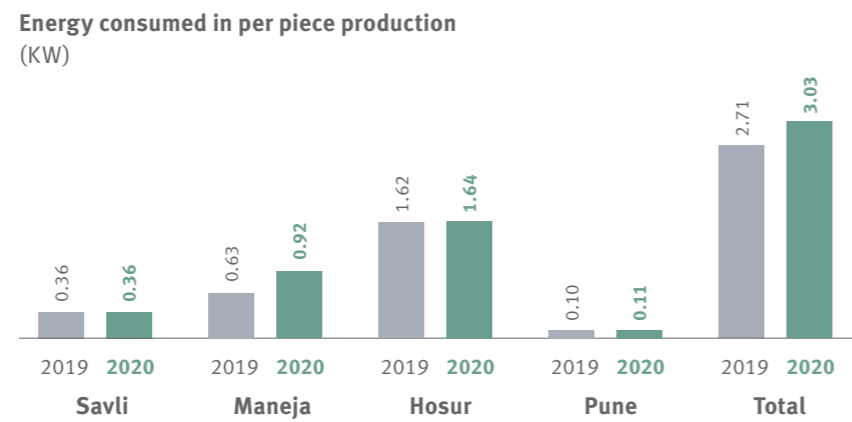
We are committed to reducing our environmental footprint by constantly looking for ways to deploy our resources more efficiently. Adoption of renewable energy across our facilities is a key enabler of energy efficiency at Schaeffler India. We are developing renewable energy (wind and hydropower) across our facilities as well as innovating to develop products that help make the world greener.



We ensure that every member of our organisation strives towards reducing energy and water consumption, minimising waste and reducing energy emissions. This is done by driving internal awareness campaigns and modifying SOPs to incorporate sustainable practices.

Since 2018, we have been consolidating our warehouses and distribution centres to drive all-round efficiency. 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 three years.

We aspire to achieve climate neutrality across all our plants by 2030 and have progressed well towards this goal during FY20.



Initiatives taken during the year to optimise energy consumption
We have undertaken several initiatives that facilitate clean technology, energy efficiency, renewable energy and more.

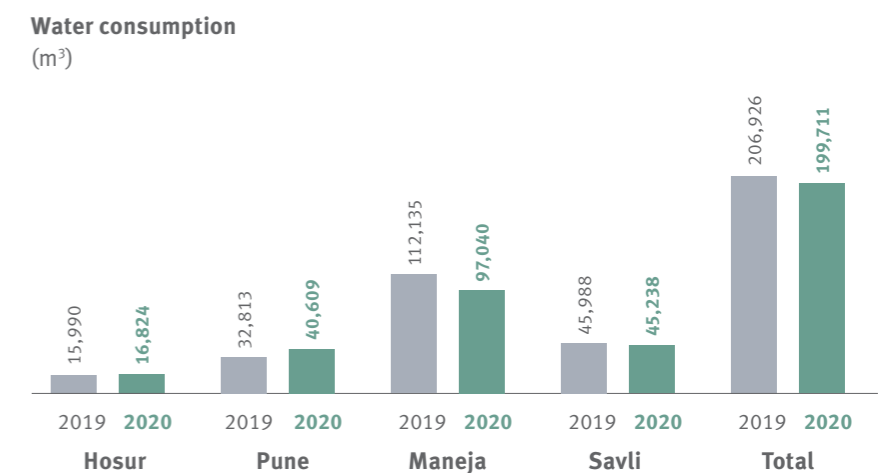
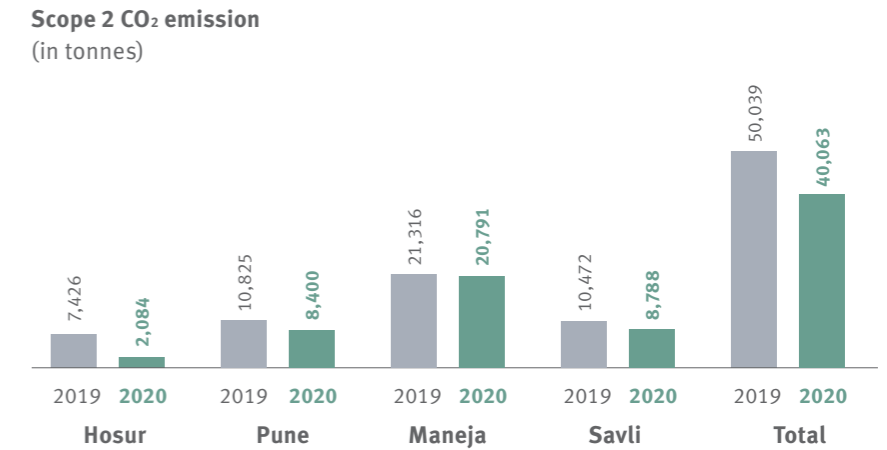
For Hosur plant, we purchased renewable energy of 5 MW generated from solar panels. This comprised 50% of the plant's overall consumption and lead to neutralisation of 4185 tonnes of CO₂.

Every location focuses on carrying out energy efficient projects and achieve energy savings of 429 MW.

- Salvi plant installed new compressor management systems to use the compressed air more efficiently
- Maneja plant installed frequency converter for the central emulsion system
- Pune plant replaced 22kW motors with energy efficient motors

Initiatives taken during the year to optimise water consumption

- Changed pipelines to have reduced flow of water for domestic purpose
- Reused treated water for process, which leads to less topping up
- Water-less urinals
- Treated water used for fire hydrant system instead of raw water
- Installed pedal operated valves for hand washes, urinal flush, among others



Note: water consumption has gone up in Pune and Hosur in 2020 post maintenance activities due to COVID-19.

Case study: Towards achieving carbon neutrality at our Hosur plant

Initiatives taken

In 2016, we implemented several steps to reduce emissions under Scope 1, 2 and 3 at the plant. Neutralising Scope 2 carbon emissions i.e. from electricity was a key objective. In 2020, the plant's EHS coordinator found an efficient solution – procuring solar energy produced by third party. This would not entail any major investments that come with high RoI of over 4.5 years. The team comprising EHS coordinator, energy coordinator and plant purchaser identified the best supplier fulfilling Schaeffler's terms and conditions after undertaking thorough due diligence.

In 2020, the plant signed an agreement to procure solar energy of ~5 MW.

Achievements in 2020

4,269
Tonnes of carbon neutralised

₹ 3.8 mn
Saved electricity cost worth

69.8%
Share of solar in total energy consumption

Empowering the community. Growing together.

At Schaeffler India, we work closely with our communities across all locations to ensure their development and well-being. Our community initiatives are christened HOPE, which stands for Healthcare, Occupational skill for better employability, Preserving national heritage, art and culture and Empowering the society.



Shared value creation is the core purpose driving our community initiatives.

- Our approach**
- 1) Focused CSR choices
 - 2) Finding the right partner
 - 3) Implementing CSR initiatives with consistency and determination
 - 4) Engaging workforce and leading by example
 - 5) Evolving from corporate philanthropy towards value creation

Led by the values of being sustainable, innovative, excellent and passionate. We are translating economic success into responsible prosperity for all our stakeholders – business partners, employees and the society.



Key initiatives implemented

Healthcare

Initiatives	Achievements in 2020	Achievements since launch
<ul style="list-style-type: none"> Launched in 2014, our Mobile Health Units (MHUs) facilitate access to public health care, particularly to people living in remote, difficult, underserved and unreached areas. The objective is to take healthcare to the doorstep of the underserved communities. The MHUs undertook awareness activities regarding COVID-19, providing telemedicine, among others. 	<p>Vadodara</p> <ul style="list-style-type: none"> 47,684+ beneficiaries 32,589+ beneficiaries treated under OPDs 13,316+ beneficiaries counselled 2,429+ adolescent girls screened for anaemia 815 adolescent girls were diagnosed as anaemic and received treatment 171 adolescent girls treated completely 2,458+ children screened for malnutrition 734+ malnourished children were followed up for treatment 43 children treated completely 1,662 pregnant women, lactating mothers, and caretakers of 0-23 months children covered under first 1,000 days intervention <p>Talegaon</p> <ul style="list-style-type: none"> 12,966+ beneficiaries covered through various interventions 9,340+ patients treated under OPDs 3,626+ beneficiaries counselled 115+ adolescent girls screened for anaemia 46 adolescent girls were diagnosed as anaemic and received treatment for it 311+ children screened for malnutrition, 69 were followed up for treatment 	<p>Vadodara (2014- 2020)</p> <ul style="list-style-type: none"> 3.20 lakh health consultations Covered 1.56 lakh people in 49 villages 6,389+ adolescent girls screened for anaemia 2,968 girls received follow-up treatment 950 adolescent girls treated completely 7,555+ children screened 3,222+ children received follow-up treatment 627 children treated completely <p>Talegaon (2017-2020)</p> <ul style="list-style-type: none"> Provided 74,120 health consultations Covered 14,000 people in 29 villages 490+ adolescent girls screened for anaemia 291 girls received follow-up treatment 48 girls treated completely 990+ children screened 339+ children received follow-up treatment

Occupational skill for better employability

Initiatives	Achievements in 2020	Achievements since launch
<ul style="list-style-type: none"> Schaeffler Technical Enhancement Programme (STEP) initiative was launched in 2018 at Chakan, Pune, in partnership with Don Bosco We also have centres in Chinchwad, Pune and Hosur <p>The objectives for these skilling centres are:</p> <ul style="list-style-type: none"> To empower youth by imparting industry aligned skills in two trade domains To set up a sustainable skill development centre model To develop a cadre of skilled workforce who can be readily employed across various industries To promote economic empowerment across our communities 	<p>Students enrolled:</p> <ul style="list-style-type: none"> 21 in Chakan Centre 23 in Chinchwad Centre 	<p>STEP, Pune (Chakan and Chinchwad):</p> <ul style="list-style-type: none"> Trained 142 students (including 12 girls) from the adjoining areas of Chakan in the CNC course 20 organisations in Chakan have recruited 134 students (including 12 girls) Inaugurated Autotronics Lab in our Chinchwad centre in June 2019 Trained 19 students (including 2 girls) 17 students (including 2 girls) got placed till now <p>STEP Centre, Hosur</p> <ul style="list-style-type: none"> 188 students have successfully completed their training (including 20 girls) 161 students got placed (including 8 girls)
<p>Schaeffler Scholarship Programme</p>	<ul style="list-style-type: none"> 28 scholars found eligible from 2019 batch 63 new applicants shortlisted 33 interviewed 20 selected for the scholarship 	<p>In 2019, out of 1,729 applications received:</p> <ul style="list-style-type: none"> 563 qualified for screening 236 applicants shortlisted 32 students supported with ₹ 75,000 per year 12 girls received scholarship These numbers look small as they only pertain to 2019 <p>In 2020, out of 703 applications received:</p> <ul style="list-style-type: none"> 84 qualified for screening 76 applicants shortlisted 20 students supported with ₹ 75,000 per year 12 girls received scholarship

Initiatives	Achievements in 2020	Achievements since launch
Nitara <ul style="list-style-type: none"> Established in August 2017, the 'Nitara Beauty Academy and Salon' in Vadodara, has been the pillar of 'Livelihood Enablement', particularly for the marginalised and differently-abled candidates 	<ul style="list-style-type: none"> 60 enrolments achieved 18 of them are differently-abled Placed 57 against 60 enrolled (95% placement) 	<ul style="list-style-type: none"> Graduated 265 beauty professionals Of these, 250 are marginalised and differently-abled 200+ certified candidates are placed 38 differently-abled have become professional beauticians
Jal Sahara <ul style="list-style-type: none"> In 2019, we partnered BAIFF to address issues of water security through watershed management approach and generation of livelihood activities for the sustainable livelihood development The project has been running successfully since then at Tadawale village in the Satara district It covers a total area of 1,947.85 hectares Project duration is till 2021 		<ul style="list-style-type: none"> Directly improved livelihood of 200 farmers through climate resilient agriculture system in the drought prone area There has been increase in the agriculture yield thereby increasing the annual income of the farmers Conducted afforestation drive across 200 hectares of land and water conservation efforts like farm bunding, water trenches, which increased the underground water level to 0.60m Introduced new-age irrigation technique through farmers by educating them Provided financial help of an average of ₹ 2,500 - ₹ 3,000 (one time) for installing drip irrigation facilities, sprinkler irrigation, drum drip, and so on This resulted in an earning of ₹ 30,000 - ₹ 45,000 per cropping season Formed village leadership committee for overall decision making, participation and monitoring of the project activities Provided income-generating means to 23 landless farmers Conducted various awareness generation programmes, training programmes and exposure visits through partnerships with Krishi Vigyan Kendra, Zonal Agriculture Research Station, Agriculture Department, Forest Department and NABARD Provided infrastructural support to the only ZP school and <i>Anganwadis</i> in the village by giving Smart TVs and educational software as an aid to learning
NUSSD project <ul style="list-style-type: none"> We signed an MoU with Tata Institute of Social Science(TISS) in 2020, to implement a National University Student's Skill Development (NUSSD) - recognised project, aimed at providing skills training The objective of this programme is to provide skill training to graduating college students and enable them to enhance their job-related skills Priority is given to students from economically backward sections of the society 	<ul style="list-style-type: none"> 4 colleges across the region have been roped in to impart diploma courses in 8 subjects, including, banking/export/digital marketing/hospitality/pharma sales/tourism/retail (Schaeffler to share the 8th subject) 406 students have registered against a target of 350 students with 58% female enrolment 	Not applicable

Empowering the society

Initiatives	Achievements in 2020	Achievements since launch
Lok Vidhyalay School <ul style="list-style-type: none"> Uncertainty continues over the reopening of schools, which have been shut since March, 2020, due to COVID-19 pandemic. Though the online classes have started for the students of Lok Vidhalaya, both the teachers and students are facing several challenges for conducting virtual classes as most of the students don't have access to digital gadget. We introduced a new initiative 'Learning Moves on to Every Door Step', wherein the teachers of Lok Vidhalaya are visiting villages to teach their students and building a sense of motivation in them. 	<ul style="list-style-type: none"> Completed construction of boys hostel in December The hostel will provide accommodations to 156 tribal children 373 under privileged and tribal students enrolled in 2019-2020 HSC board results improved to 66.8% in 2019-20 from 62.5% in 2018-19 	<ul style="list-style-type: none"> 55% enrolment each year and 91% retention 40% girl students 98% of students belong to backward communities Installed solar power system and CCTV in school premises
Comprehensive community development <ul style="list-style-type: none"> Started in 2020, the project focuses on community improvement and women empowerment in rural areas around our Talegaon facility. These villages are in the 20-50 km radius from the Talegaon plant and cover 2,500 households across 10 villages Our aim is to cover 10 schools across these villages and benefit ~ 650 students in classes 1-5 	<ul style="list-style-type: none"> The mobile science lab covers 10 schools and 655 students in the age group of 9-14 years have been enrolled 105 sessions have been conducted so far Library was created with provision of appropriate level wise reading material and storage facility 103 sessions were conducted on story-telling, read aloud, among others, reaching 384 children Under the BaLA – Building as a Learning Aid project aims at providing school children a vibrant environment that is stimulating and aids the learning processes. 10 schools are being covered and 909 students (6-14 years) are being benefitted 2 schools developed according to the BaLA concept covering various available spaces like class room wall, corridors and compound wall 	Not applicable

Road ahead

We will continue to progress ahead on our HOPE initiatives. Further, we are exploring ways to shift our efforts in education from infrastructure development to strengthening intellectual infrastructure in schools. Livelihood and skilling, and community development and sustainability will remain our focus areas.

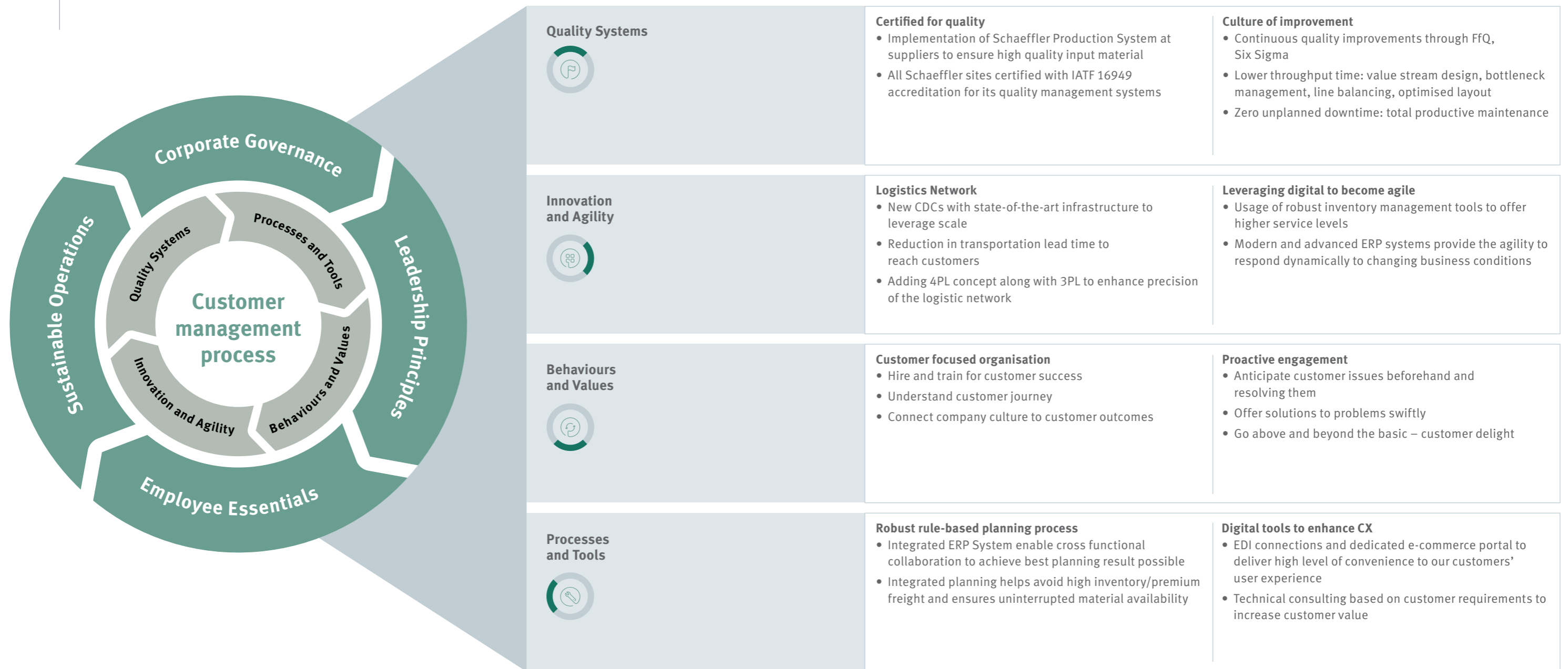


Enhancing customer centricity

Customers form the core of our existence, and we are committed to provide them with innovative and relevant solutions. We have created an eco-system for customer experience driven by seamless demand management, robust operations model, best-in-class warehousing and logistics along with superior customer service.

The external environment and business dynamics are changing, faster than ever. As a technology provider, we strive hard to stay ahead of this change, to look at tomorrow's challenges today. This passion for technology and innovation has always been a core element of our DNA and with that comes our aim to become the preferred technology suppliers to our customers. Over the years, we have worked tirelessly to improve our processes and shape organisational behavior and culture to go beyond customer satisfaction.

Capital | SDGs



Creating awareness. Driving better outcomes.

As a technology leader, we continue to support customers across automotive and industrial segments by developing new products and solutions. Our high precision products and solutions continue to drive greater efficiency and offer reliability and safety of operations.



Reinnovate: Our first ever digital event for industrial distributors

On September 23, 2020, we successfully conducted the India Industrial Distribution Day under the theme of 'Reinnovate'. We are humbled by the enthusiastic participation the event witnessed. For us, this was an opportunity to connect with our existing distributors as well as to explore future partnerships. Over 80% of our invitees participated in the event and engaged in thought provoking and meaningful discussions with our panelists in the sessions. We will continue to hold this event every year to strengthen our connect with the distributors.

As next steps, we will be onboarding distributors on partner portal and e-commerce, undertake continuous follow ups with distributors on the focused product shown in the presentations and engage with them frequently on different business topics.

Together, we are confident of creating and growing shared value in a sustainable manner.

Today, the technology landscape is evolving rapidly, in pace with the evolving consumer needs. The result is the increasing level of complexities in products and solutions. Developing a product is one thing and ensuring the product performs at its optimum level is quite another. At Schaeffler, we fully understand that technology development cannot outpace the knowledge needed to ensure the optimum performance of products.

Thus, we are equipping our partners and customers with knowledge, which forms a crucial part in the whole ecosystem. At Schaeffler India, both our Automotive and Industrial divisions focus on training and development programmes for our customers, employees, distributors and key maintenance personnel.

Automotive Aftermarket

Our Automotive Aftermarket division has comprehensive training and repair modules spanning from systems to components. Since its inception in 2018, the technical training centre has been implementing training competencies for transmission, engine and

chassis components. This is a state-of-the-art training centre to ensure that mechanics are trained to work with the best installation practices, latest technology, specialised technical tools and develop those skills.

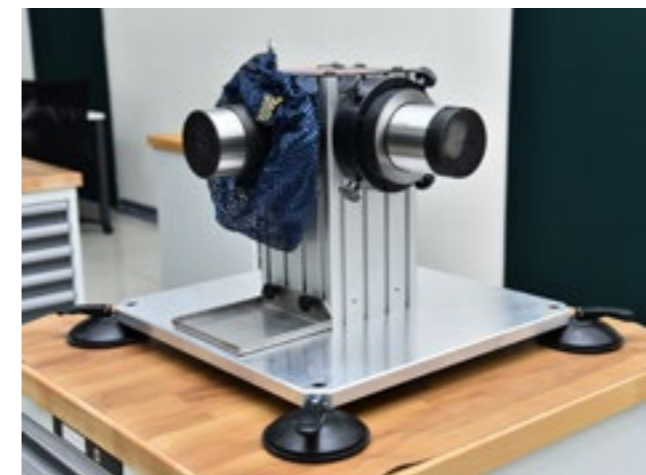
This initiative is critical to provide complete and holistic solutions for repairs and replacements, including hands-on experience on working models and machinery. Working models impart training on Timing Belt and Chain Drive system, Front End Auxiliary Drive (FEAD) System, Dual Clutch Transmission (2CT), Self-Adjusting Clutch (SAC), Dual Mass Flywheel (DMF) and many more.

In 2019, the team launched a Mobile Training Centre by the name of REPERT Truck under the aegis of Schaeffler's REPERT service brand. The mobile training centre is equipped with state-of-the-art automotive technical training facilities, products, spare-parts and repair tools as well as hands-on training materials, bringing to fore the latest in automotive technology.

A full-time trainer has been engaged for this centre, to provide training on standard fitment practices and examining failure diagnosis of all mechanical parts, along with facilities of effective home-tutorial videos, making training productive and effective. While the van remained unutilised in 2020 due to the COVID-19 situation, our teams took the trainings via digital platforms and conducted over 100-man hours of training for customers distributors and mechanics.

46+

Trainings conducted for over 720 beneficiaries across distributor's sales team, mechanics team and internal sales team.



Schaeffler Technology Center

Rolling bearings, linear guidance systems, and plain bearings - these are all indispensable components in thousands of modern applications. Our high-precision products are used in everything that moves. However, an in-depth understanding is required if they are to be used to their utmost efficiency. Our Schaeffler Technology Center, based in Vadodara, offers modular range of training courses, which fully cover the individual information requirements of technical and commercial employees.

Key features of our technology centre

System understanding: Basic principles to in-depth specialist knowledge of rolling bearings, mechatronics, systems engineering, assembly, dismantling, and condition monitoring. The incremental learning processes are divided into basic, advanced, and intensive levels.

Qualified trainers: Qualified trainers provide maximum learning success within compact training modules and ensure that a practice-oriented knowledge transfer takes place even at non-central locations.

Quality: Results gathered from market observation, exchange of experiences, feedback, ideas, and suggestions from participants go into continuously improving the range of training courses.

Being in close proximity to our customers all over the world, our state-of-the-art training facilities are also always situated locally – so new information is never far away and a major technological edge can be achieved quickly. With the media-campus learning platform, information is just a few clicks away, thus allowing our customers to plan their learning time freely, determine the order of topics and more.

During the year, a number of trainings were conducted both online and offline – for employees, customers and distributor partners.

50+

Trainings conducted for over 3,200 beneficiaries including customers, channel partners and employees across topics like:

- Basic principles
- Products
- Application
- Condition monitoring
- Maintenance practices
- Troubleshooting

Giving our best today. For a better tomorrow.

Our people drive our strategies forward and form the core of our success. Their values of trust, transparency and teamwork reflect in the way they work every day. At Schaeffler India, we are constantly working to give them a world of opportunities and enabling them to do their best. Team Schaeffler comprises people across diverse skills, races, nationalities and gender that is united by mutual respect for one another.

Capital **SDGs**

Our learning and development programmes cover people across all functions and levels. These include our employees working at the factory, entry level employees, middle management and top management.

Learning Management System
In 2020, we implemented the Learning Management System (LMS). It is a digitalised platform for training activities based on the One platform-One approach-One template-One system methodology. In addition to supporting the administration, documentation, tracking, reporting and monitoring of training activities in a uniformed manner, it also leads to higher transparency and efficiency.

With the ‘Digital HR’ Initiative, Schaeffler is pursuing the goal of implementing efficient and globally standardised and harmonised processes supported by a user-friendly, cloud-based human resources platform.



- Status as on December 31, 2020:**
- 99% end users trained on the system
 - Four key administrators trained
 - Soft skills India catalogue available on LMS
 - Learning Circles and Think Tanks coordinated through LMS
 - Schaeffler Academy E-learning offered from LMS
 - LMS system extended to MOVE function to host trainings

Despite the lockdown we have achieved our KPI of 75% training completion in just five months (August-December 2020) across all our plants and offices.

Continued training even during lockdown
The lockdown fast-tracked the migration of our learning and development activities to online platforms.

Pre-COVID world 2020	The new digital 2021
Letting go of legacy L&D practices <ul style="list-style-type: none"> • Employee Development Dialogue (EDD) based needs analysis • Preference for face-face workshops • The ‘training centre’ glue 	Digitalisation <ul style="list-style-type: none"> • Adapting to digital platforms • Making LMS a ‘go-to’ learning library • Work-from-home leading to better IT infrastructure
Old school leadership programmes <ul style="list-style-type: none"> • Region-specific offerings • Obsolete leadership subjects/ references • A lag in post-programme mechanisms 	Hybrid learning <ul style="list-style-type: none"> • A courageous step towards self-learning • Virtual Learning Circles and Think Tanks • ‘Snackable’ (byte-sized learning modules that can be taken by employees on a regular basis with shorter time cycles and not block an entire day or days) virtual classrooms
Onus of learning <ul style="list-style-type: none"> • Employees’ dependency on L&D partners as drivers of learning • Audit-focused drive to completing training drives 	The disruptive thought process <ul style="list-style-type: none"> • ‘My pace, my time, my learning’ • Agility and adaptability

Strong participation in online trainings

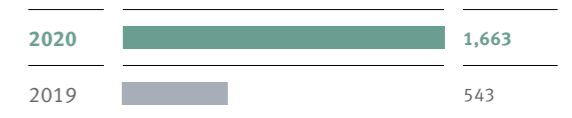
269 Batches
264 hours Duration
14,272 Participants

We continued to conduct trainings for our high potential employees via the Accelerated Leadership Programme (ALP) for nominated employees and Young Leaders Programme (YLP) for new joiners.

Resonance: Leadership culture at Schaeffler India

This initiative focused on strengthening basic behaviour in Schaeffler. An engaging approach of storytelling was used to reinforce how people manager, team leaders and individual contributors must conduct themselves at the organisation. Pre-read material was shared before the session and viewpoints of the Executive Leadership Team (ELT) members was also shared. It was very successful and received encouraging feedback from employees.

Employees trained in ethical practices (Nos.)



Placing our principles above all. Growing stakeholder trust.

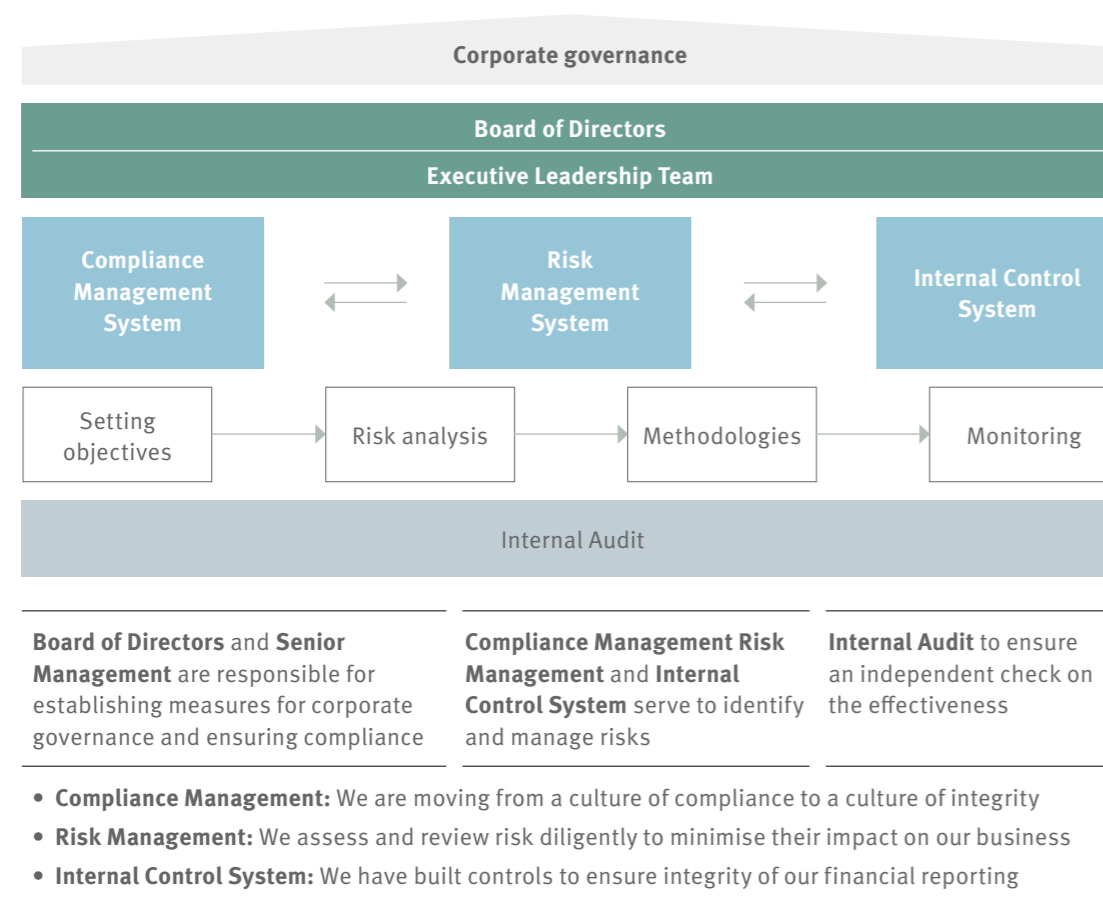
At Schaeffler India, we are committed to maintaining the highest standards of ethics, integrity, governance and regulatory compliance. Our focus is on creating shared value for all stakeholders by conducting our business in a fair and transparent manner.

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

Schaeffler India follows the three pillars in terms of corporate governance in pursuit of long-term enhancement of corporate value



Acting with accountability. Towards balanced growth.

As the world continues to evolve and transform by the minute, it is extremely crucial for companies to be aware of the existing and emerging risks at all times. Prudent and well-defined risk management practices and policies enable businesses to protect interest of all stakeholders efficiently.

At Schaeffler India, we have adopted a multi-layered process involving the entire organisation, right from the Board of Directors to the risk operator. Our risk management committee oversees this entire process.

Our risk management process



During the year under review, we have constituted a **Risk Management Working Group (RMWG)** which will operate as an interface between various functions/divisions of Schaeffler India Limited and **Risk Management Committee (RMC)** of Schaeffler India Board. While on one hand it will monitor, review and guide productive implementation of risk management at Schaeffler India Limited, on the other hand it will provide valued feedback to RMC.

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.





* minimum

Risk assessment matrix

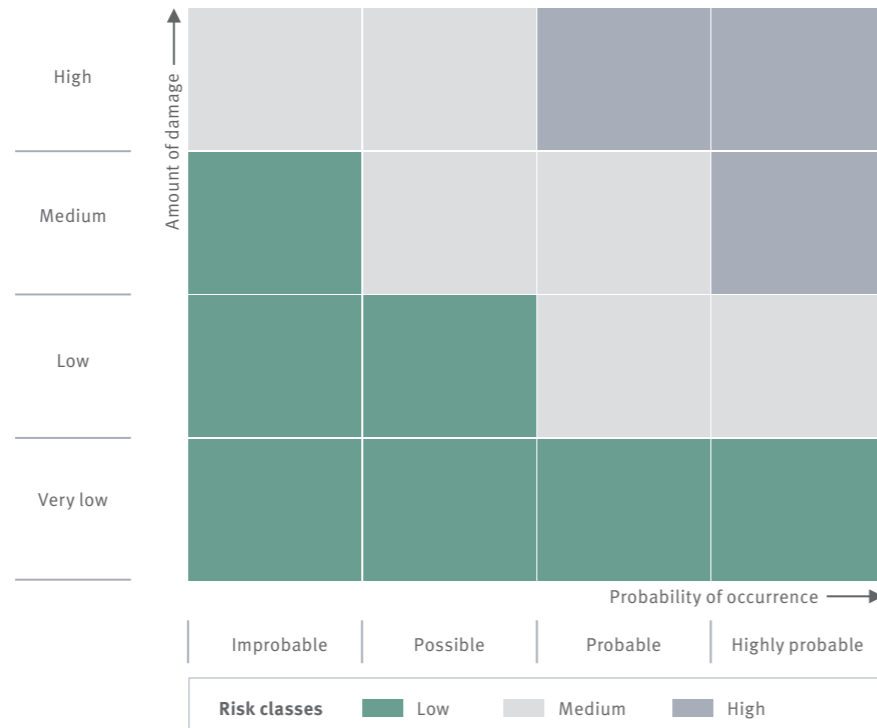
We have a two-dimensional approach to conducting risk assessment. We look at the amount of damage each risk can have on an actual basis and its probability of occurrence.

Amount of damage: implies financial impact each risk is likely to have on assets and/or earnings of the Company.

Probability of occurrence: implies likelihood of each risk to impact the assets and/or earnings of the Company.

Based on amount of damage each risk is classified as very low, low, medium and high. Probability of occurrence is assessed using percentages and is classified as improbable, possible, probable and high probable. The combination of estimated amount of damage and probability of occurrence determines the risk class, which can be low, medium or high based on its impact on net assets, financial position and earnings.

Each risk is valued at two stages – before and after putting risk mitigation measures, referred to as gross and net valuation respectively. Risks, based on net valuation are assigned to various risk classes using the risk matrix.



Note: Net valuation under consideration of countermeasures

Risk classification

Risks are divided into strategic, operating, legal and financial risks and are described in decreasing order of the magnitude of their impact on the next assets, financial position and earnings of the Company.

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 the Company's regular operations or planned future expansion. Changes in the political and regulatory environment of markets, in which the Company operates, could have an impact on its net assets, financial position, and earnings. During the year 2020, our Company was adversely affected by the spread of pandemic COVID-19.	Medium	The social, economic, political risks are mitigated with continuous observations of the developments in relevant business environment and taking appropriate actions in terms of changes in strategies to protect the interest of the Company. Several cost containment measures were identified and implemented in material, employees and process cost to overcome the loss arising out of pandemic.	Financial, Operational, Environmental
Strategic market and technology risks	There are transformative changes forecasted in the marketplace like reducing diesel penetration, stricter emission norms, potential electrification of vehicle powertrain and so on. Customers are increasingly looking for bundled offering of products and services. On the manufacturing side, the Company currently relies on a certain degree of vertical integration and comprehensive production expertise that facilitate improvements in the production process and ultimately safeguard the Company's ability to maintain its competitive position in the market. The evolution of the Company's business from being component-driven to more systems-based could reduce the proportion of value added by the Company.	Medium	The Company is taking a variety of measures to address these trends. It is focusing on development of new evolving technologies and offerings. It is strategically enhancing its production system to be more modular and aiming towards 'Factory for Tomorrow'. An E-mobility division is dedicated to work on E-mobility solutions for motor and various control modules. It is constantly improving its efficiency in order to safeguard and further expand its market position.	Financial, Operational, Environmental, Human Capital
Operational risks				
Market developments	As the Company is a supplier in the automotive and industrial sector, demand for Company's 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 put together these factors lead to significant volatility in automobile production, which makes exact sales forecasting more difficult. Sales in 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.	Medium	Markets are analysed on an ongoing basis in order to detect changes in market structure or regulations early on. The Company uses managed cost efficiency programmes to 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, Operational, Environmental
Delivery performance	The ability to deliver and delivery performance represent a key competitive factor for a long-term relationship of trust with customers; this competitive factor is being constantly enhanced by systematic improvements in production and delivery logistics. Inability to meet contractual delivery dates could have an impact on the financial position and earnings of the Company.	Low	The Company has built high-performance distribution centres aimed at improving market supply and delivery performance with strategic logistics locations. Components sourcing options and capacity of critical production lines are being enhanced.	Financial, Operational, Environmental

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
Procurement risks	Procurement risks arise mainly due to raw materials price fluctuations, ability of suppliers to deliver quality products in time. Adverse fluctuations in market prices and/or supplier's financial distress could have an impact on the Company's financial position and earnings.		The Company's purchasing function ensures optimal supply of goods and services to the Company, focusing on quality, cost, and delivery performance. Options for multiple product sourcing and localisation are continuously explored. By negotiating prices and utilising economic synergies, the Company is largely able to obtain competitive prices. The Company keeps a close watch on the operations of its suppliers, by deploying dedicated personnel performing quality checks, for early signs of distress and be able to intervene in order to secure its interests.	
Information Technology (IT) risks	The importance of the IT systems utilised across various functions in the 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 the Company's IT security management and protection of data and IT systems. Unauthorised access to IT systems, modification and misappropriation of sensitive business data could have an impact on the Company's net assets, financial position and earnings.		The Company has highest standards of IT security systems and constantly upgrade the IT security infrastructure. It educates/trains its employees about IT security and what precautions the users should take, to ensure that the IT infrastructure, business data are adequately protected against any possible IT risks.	
Information or cyber security risks	Cyber-attacks/ breaches pose a significant threat to the protection of our intellectual property, and that of our business partners, from theft, loss, unauthorised disclosure, and illegal access or misuse. Given the increase in both the frequency and sophistication of such attacks, the possibility of cyber-attacks/ breaches cannot be entirely ruled out and could have an impact on the Company's net assets, financial position and earnings.		To mitigate cyber security risk, the company has put in place a robust information security policy based on the ISO/IEC 27001 standard and taking account of sector-specific regulations. Procedures and other IT security specifications supplement the information security regulations of the Company. Furthermore, several technical measures have been put in place such as internet proxy gateway with seven layers of security, Advanced Persistent Threat (APT) – one of the latest alarming system for any illegal intrusions, Intrusion Prevention System (IPS) – to mitigate the risk of cyber-attack through unsecured IT environment such as production machines software and hard-disk encryption to secure data theft.	
Production risk	As the Company's manufacturing facility is capital-intensive, a large proportion of its costs are fixed. As a result, decrease in utilisation of plant capacity leads to under absorption of costs and thereby impacts its 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 from alternative source could impact the Company's net assets, financial position and earnings. During the year 2020, the plants were adversely affected by the spread of pandemic COVID-19.		The Company regularly reviews market conditions and aligns its production plan accordingly. Where necessary alternative source can be realised from another plant within Schaeffler Group. To minimise the probability of occurrence of unplanned interruptions, the Company takes extensive fire prevention measures. Several cost containment measures were identified and implemented in material, employees and process cost to overcome the loss arising out of the pandemic.	

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
Loss of market share	The Company faces competition in all business fields it operates in. As a result, the company is exposed to dual risk of either being displaced by existing or new competitors or its products being replaced by product innovations or by new technological features. Customer dissatisfaction on price, quality, delivery performance and design could lead to loss of market share.		The Company ensures close cooperation with its key customers on product development. It has implemented strict product quality controls in order to reduce the likelihood of substitution. The Company is also developing products that will help it to step up the value chain from components to systems.	
Warranty and liability risks	Our Company is known for its high standard of product quality. It employs a certified quality management system besides continuously striving to improve quality processes. Notwithstanding these, there is a risk that poor quality products get delivered. Usage of defective parts can lead to damages, unplanned repairs or recall on the part of customer that can result in liability claim or reputational damage.		The Company responds to such risks by adopting strict quality control measures and continually improving its production processes in order to minimise the probability of warranty and liability risks materialising. Adherence to quality standards are strictly implemented. All product and recall liability risks are insured.	
Product piracy risks	Our Company's product brands - INA, LuK, and FAG are associated with best in class standard of quality, durability and reliability, making them increasingly susceptible to product piracy.		The Company protects intellectual property. It continues to engrave special markings on its products, making it difficult to counterfeit. Secondly, our Company follows a strict vigilance process to ensure timely detection of counterfeiting instances and initiation of legal actions against the guilty. Additionally, the Company regularly upgrades its digital anti-counterfeit app to support these initiatives.	
Coronavirus pandemic risks	The coronavirus pandemic had prime influence on 2020, particularly in the first half of the year. The government put various containment measures, placing people wellbeing over economic activities. Due to these overall market demand decreased, and supply chain was disrupted. Even the future implications and duration of the pandemic cannot be predicted. The success of the vaccination drive initiated is yet to be ascertained. Threat of second or third wave of pandemic still looms over, which may lead to lockdown like measures be implemented again by the government. These may have an adverse impact on the regular operations and sales of your company.		The Company is continuously and closely monitoring the developments and possible effects that may result from the current pandemic on its financial condition, liquidity and operations and is actively working to minimise the impact of this unprecedented situation.	
Legal risks	Compliance risks		The Company has in place a comprehensive Compliance Management System, wherein laws and regulations applicable to the Company are mapped. Each compliance requirement is mapped to relevant process owner. The system sends alerts and reminders to each such process owner to enable him to comply with the requirements in a timely manner. Our Company's 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

Key risk categories	Risk description	Risk class	Mitigation measures	Capitals impacted
Financial risks				
Tax risks	<p>Our Company is subject to tax audits. Tax authority's interpretation of the tax law or of relevant facts made in current or future tax audits may differ from that of the Company.</p> <p>This may lead to adjustments to tax base and increase in the tax liabilities.</p> <p>An additional tax payment as a result of an adjustment to the tax base could have an impact on the Company's financial position.</p>	■	<p>The Company extensively evaluates Corporate Tax and International Tax laws, both internally and with external tax experts, before implementing in the Company.</p> <p>The implementation strategy is well documented, reviewed periodically and amended as necessary.</p>	
Pension risks	<p>Our Company has pension obligations towards its employees.</p> <p>Such obligations are measured using actuarial valuation based on assumptions with respect to the discount rate, increases in personnel payments and statistical life expectancy.</p> <p>Planned assets are invested with external agencies, which are subject to fluctuations in value.</p> <p>A change in these parameters could have an impact on the Company's net assets.</p>	■	<p>The Company uses government bond rate as discount rate and invests in pension fund with a Government of India enterprise (LIC).</p> <p>Quarterly actuarial valuation is carried out, adequate provisions are established in books of accounts and annually funds are appropriately transferred to LIC.</p>	
Currency risks	<p>The Company is exposed to currency risks due to its cross-border transactions. The largest currency risks from operations result from fluctuations in the USD and Euro exchange rates.</p>	■	<p>In 2020, our Company adopted INR as the inter-company invoicing currency with German entities.</p> <p>This led to substantial reduction in its foreign exchange exposure and nullified currency volatility impact.</p> <p>Additionally, the Company has a structured hedging strategy to counter currency risks. The strategy is followed consistently and reviewed periodically.</p>	
Liquidity risks	<p>The risk that our Company will not be able to meet its payment obligations as they come due is referred to as liquidity risk.</p> <p>Such risks can arise if financing needs cannot be met by existing funding arrangements including surplus cash balance.</p> <p>Even though Our Company is cash surplus and does not expect any liquidity risks, it has put efficient liquidity management measures to mitigate associated risks.</p>	■	<p>The Company monitors liquidity risks using a rolling liquidity plan with a forecast period of 12 months.</p> <p>Short-term cash flows are monitored daily, involving key stakeholders.</p>	

■ 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

Company information

Board of Directors

Chairman	Mr. Avinash Gandhi
Managing Director & CEO	Mr. Harsha Kadam
Director – Finance & CFO	Mr. Satish Patel
Directors	Mr. Klaus Rosenfeld
	Mr. Jürgen Ziegler
	Mr. Dharmesh Arora
	Mrs. Renu Challu
	Mr. Arvind Balaji
	Mr. Amit Kalyani (effective February 11, 2020)
	Ms. Eranti V. Sumithasri (effective July 15, 2020)

Company secretary

Mr. Ashish Tiwari (effective February 29, 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

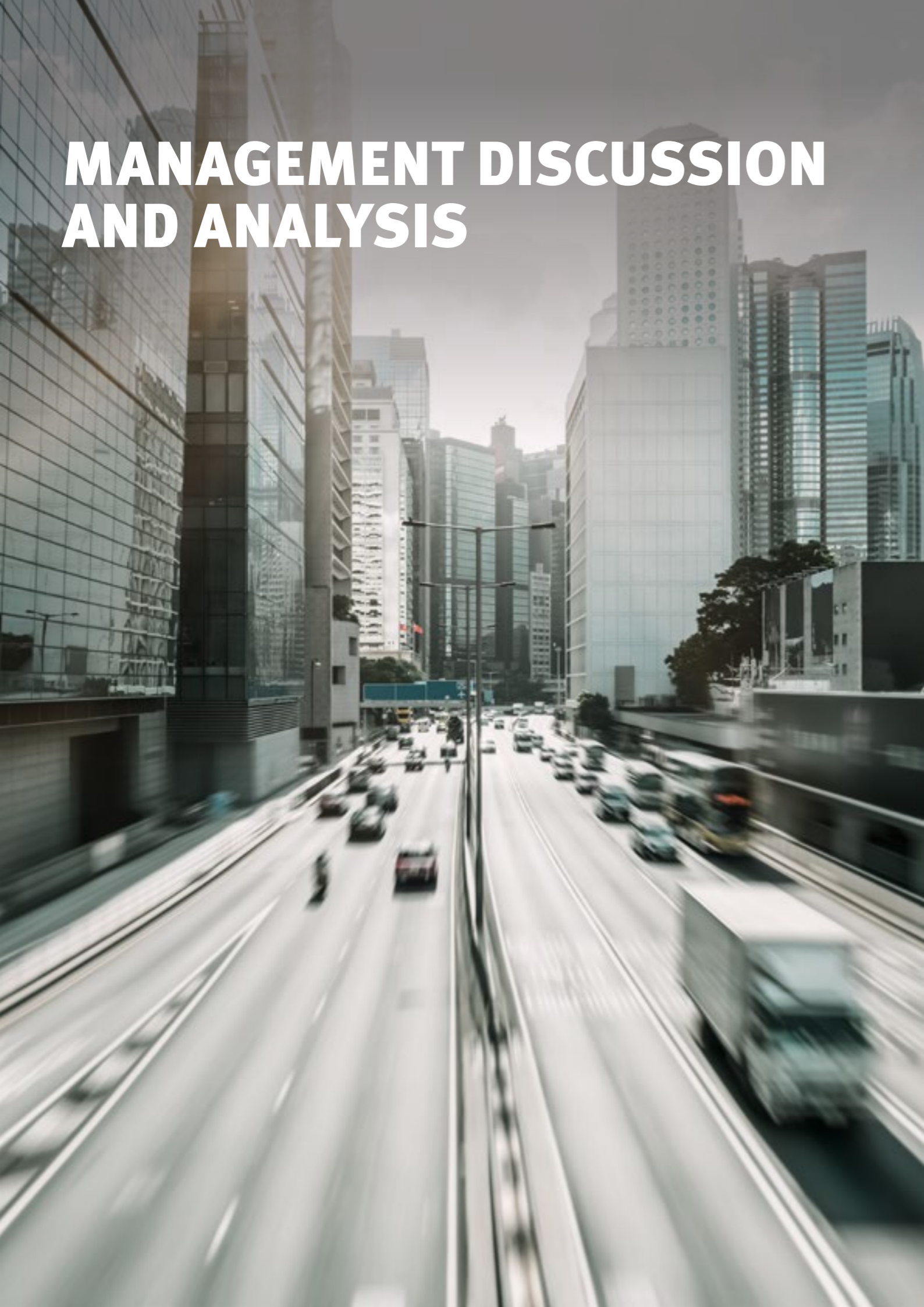
Note:

Mr. Rakesh Jinsi (Completed the term as an Independent Director on February 10, 2020)

Mr. R. Sampath Kumar (Ceased to be a Director effective May 30, 2020)

Mr. Chirag K. Shukla (Ceased to be a Company Secretary effective February 29, 2020)

MANAGEMENT DISCUSSION AND ANALYSIS



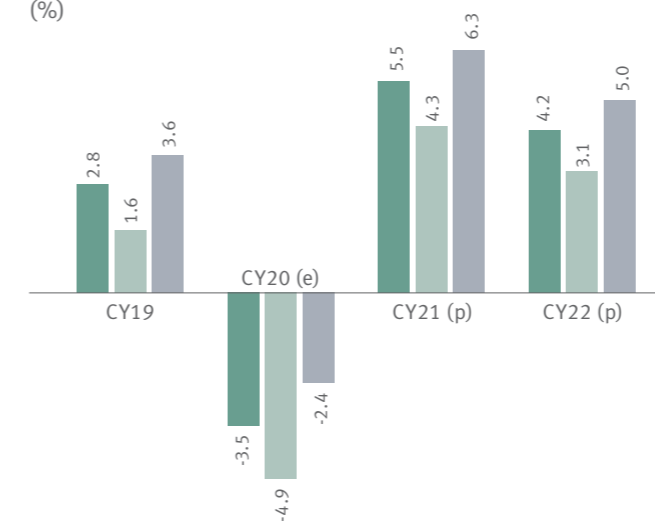
Economic overview

Global

The year 2020 started on a positive note with expectations of improving growth in the automotive and industrial sectors. However, emergence of the Novel Coronavirus in December 2019 resulted in a full-blown pandemic by the end of March 2020. Its rapid spread forced governments to implement stringent lockdowns. Though inevitable to protect the well-being of citizens, the move brought the world economy to a virtual standstill. The pandemic has made a deep impact across markets, with several countries witnessing a second and third wave of the infection, unable to resume normal life and work. Job loss has accelerated and the vulnerable sections of the society and those engaged in the informal and contact-intensive sectors such as tourism are badly hit.

In its World Economic Outlook report of January 2021, the International Monetary Fund (IMF) revised its estimate of global growth contraction for the year 2020 to -3.5% from an earlier projection of -4.4% in October 2020. The revised estimate is 0.9 percentage points higher than the previous projection, and is attributed to performance picking up in the second half of 2020 on account of vaccination and improving high frequency economic indicators. Advanced market economies, which were witnessing a low single-digit growth rate even before the pandemic, are expected to make a slower recovery as compared to the emerging economies. Aggregate GDP in emerging market and developing economies is expected to grow 5% in 2021, after a contraction of 2.6% in 2020, though there is likely to be high divergence in the economic output of individual countries.

Global output (%)



■ World
 ■ Advanced market economies
 ■ Emerging market and developing economies

p: projections, e: estimate | Source: IMF - World Economic Outlook, January 2021

Outlook

Recovery in global growth will largely be a function of how countries contain the pandemic and bounce back from its negative impact. Several countries have approved vaccines and are distributing them in a phased manner. Access to medical interventions, effectiveness of monetary policy support, exposure to cross-country spillovers are prominent factors driving the recovery. Thus the pace of recovery will vary. Coordinated effort is required by key economies to bring the pandemic under control. Ensuring access to vaccines at affordable rates and adequate liquidity to weaker economies is the need of the hour.

In this scenario, global economic growth is expected to touch 5.5% in 2021 and 4.2% in 2022. This is 0.3 percentage points higher than the IMF's earlier forecast made in October 2020. It reflects expectations of a vaccine-powered strengthening of economic activity later in the year and additional policy support in a few large economies. Emergence of renewed waves and new variants of the virus are key risks to economic recovery.

India

In FY21, India's GDP is estimated to contract by 7.7% (Source: Economic Survey 2020-21) owing to the impact of the pandemic. Manufacturing and services segments are likely to decline by 9.6% and 8.8%, respectively. On the other hand, the agriculture segment is likely to grow after 3.4% providing some support to the economy. Signs of uptick were visible in the second half of the year due to consumption growth. However, recovery to pre-pandemic levels will take some time. Inflation remained above the Reserve Bank of India's (RBI) comfort levels for a large part of the year. The government has made significant expenditure to protect the lives of the country's citizens as well as to revive the economy. Following the twin pressures of COVID-19 and spending support need to encourage economic recovery, fiscal deficit for FY20 is estimated to touch a high of 9.5%.



India GDP growth (%)



e: estimate
Source: National Statistical Office

Outlook

With the world's largest vaccination drive currently underway in India, there is hope that the pandemic will be brought under control. Several indicators such as power demand, rail freight, e-way bills, GST collection, steel consumption, among others are trending positively and could lead economic recovery. FY22 is likely to be a better year with growth coming back gradually. The IMF estimates India's GDP to grow 11.5% in FY22 and 6.8% in FY23. A combination of monetary and fiscal reforms, lower oil prices and improving health of corporates could drive this recovery.

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 aimed at boosting growth

- Atmanirbhar Bharat package worth ₹20 trillion
- Significant increase in allocation for infrastructure projects
- Concerted measures announced to fortify the country's health infrastructure
- Reduction in corporate tax rate to 15% for all new manufacturing units commencing production before March 2023
- Special funds for stalled housing projects; extension of time limit for interest on affordable housing loans
- Focus on improving ease of doing business

Industry overview

Automotive sector review

The slowdown in automotive sales witnessed through the year 2019 was aggravated sharply by the spread of the pandemic during the year 2020. While the impact was felt by all segments (see table), Commercial Vehicles (CVs) were particularly hit due to the slowing economic activity. Agriculture tractors performed much better than other segments as the agriculture sector was largely unaffected by the lockdown.

In December 2020, sales of Passenger Vehicles (PVs) and two-wheelers witnessed a resurgence of growth. Release of pent-up demand, the festive season and rising focus on maintaining social distancing (by travelling in personal vehicles) were key drivers of this improvement. Exports proved to be the saviour for the industry during the immediate post-lockdown period.



Auto sales

Categories	2020	2019	% change
2 & 3 wheelers	11,631	24,170	-51.9
Commercial vehicles	366	893	-59.0
Passenger vehicles	1,764	3,623	-51.3
Agriculture tractors	555	773	-28.2

Source: SIAM, Tractor Manufacturer Association (TMA)

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

Union Budget 2021-22: Positive announcements for domestic automobile sector

- Implementation of voluntary vehicle scrappage policy for PVs (20+ years old) and CVs (15+ years old)
- Capital outlay for development of roads up 10% y-o-y to ₹1.7 trillion for FY22
- A new scheme would be launched at an expenditure of ₹180 billion to support augmentation of public bus transport services
- Increase in customs duty from 10% to 15% on certain components – such as safety glass, parts of certain electrical items, wiring sets, instrument panel clocks, among others

Outlook

Year 2020 witnessed a significant postponement of replacement demand for PVs. As the economy gathers pace, this demand could start trickling in during 2021. Vehicle scrappage policy could also aid demand for new vehicles, along with continuous innovations and new launches. With the need for personal mobility growing, the number of first-time buyers is likely to be high, aiding growth of compact cars.

Over the medium to long term, structural factors such as growing congestion in bigger cities, growth of ride-hailing apps such as Ola and Uber, moderating economic growth and subdued consumption will influence automobile sales. Amid strengthening infrastructure and favourable policies for Electric Vehicles (EVs), more users are likely to adopt EVs (starting with public transport vehicles). This is another key growth avenue for the automotive sector.

On the other hand, favourable interest rates, growth in rural areas and under-penetration of PVs could propel growth of vehicles.



Industrial sector review

Industrial activity in India came to a standstill after the imposition of the six-week nation-wide lockdown starting in the second week of March 2020. The Index of Industrial Production (IIP) fell 18.3% in the month of March and by a massive 56.3% in April. However, as the economy started opening up in late May, this metric has consistently improved. Overall IIP declined 15.8% in June and 1.9% in November. Output of core sectors such as cement, steel, coal and electricity generation have been witnessing a gradual uptick. As the economic recovery firms up, these indicators will also improve, aiding the prospects of allied sectors.

Outlook

Despite significant unplanned expenditure since the outbreak of COVID-19, the government plans to continue investing in the areas of health, manufacturing, and infrastructure to help boost recovery. It plans to increase allocation to key schemes, promote foreign participation and continue with a reforms-oriented approach. Large projects such as development of industrial corridors, smart cities, and initiatives such as Atmanirbhar Bharat and 'Make in India', among others, are likely to aid the 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. All these measures are expected to impact favourably on the growth prospects of our industrial business.

Union Budget 2021-22 Positive announcements for infrastructure and engineering sectors

- Total railways capex of ₹ 2.15 trillion in FY22
- To secure long-term debt financing, a professionally managed Development Financial Institution (DFI) is proposed to be set up with an initial allocation of ₹200 billion in FY22. The aim is to have a lending portfolio of at least ₹5 trillion for the DFI within three years
- Increase in import duty on several products (compressors, solar inverters, among others) to place greater emphasis on local manufacturing

Business overview

We, at Schaeffler India, provide a wide gamut of products and services across three business segments – Automotive, Industrial, and Automotive Aftermarket. We also provide training to important influencer groups of garages and conduct fleet workshops for the Automotive Aftermarket and Industrial distribution segments. Our client-centric approach, high emphasis on innovation and superior distribution network enable us to maintain our leading position across these businesses. Our revenues are well balanced between the automotive and industrial segments and we are growing our exports business in select, high-potential markets.

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 multifaceted capabilities • A culture of innovation that enables us 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



Business Continuity Plan (BCP)

The global pandemic has caused major disruptions in business operations and livelihoods. We formulated a comprehensive Business Continuity Plan after considering the necessities of our stakeholders and revamped our processes in order to revitalise our business activities.

Management during the pandemic

There was an expeditious need for the business to shift to completely digital systems in order to manage affairs. Business meetings were held on various virtual platforms available. We shifted our focus on utilising digital marketing automation and opted for digital closings with regard to the transactions.

Ensuring the well-being and safety of our employees, we initiated and expanded flexible work arrangements with sufficient infrastructure to work remotely and safely.

Steps taken during the pandemic

- Formed a local Crisis Management Team (CMT) on March 6, 2020 comprising Executive Management, Plant Management, and Legal and Compliance. Apprehending the consequences of the situation, we initiated work from home one week before the lockdown
- Enabled home office with a dedicated VPN gateway for India, augmenting gateway capacity to handle 42,000 logins from 2,400 logins
- Conducted online trainings/webinars covering 100+ different topics on technical, functional, managerial and behavioural domains. We have completed more than 30,000 man-hours of online training
- Conducted online sessions on meditation and well-being
- Arranged additional laptops on special request

- Conducted Google Talk or MS Team based quiz and training for operating group employees (without laptops)
- Rolled out video messages on health and safety SOP. The same were played on television in the plants
- Introduced EHS SOP outlining protocols for corporate and sales office locations

Community care

Contribution to PM Cares Fund

- Employees contributed 1 day salary in April which amounted to H6.5 million
- Helped the Government Medical Hospital in Aundh with ICU setup kit and a contribution of H6.0 million
- Provided medical equipment to ESI Hospital in Hosur worth H1.0 million
- Offered bearings worth H1.0 million to one of our OEM customers for their ventilator project
- Three MobiHealth units reached out to villages regularly

Post-lockdown measures

Continuous communication with our staff, customers and supply chain partners enabled us to establish trust, visibility and proactivity across all junctures. Constant and transparent communication that generated value, help and support during any business change and disruption helped us gain the trust of our stakeholders.

Safety measures at our plants

Our plant's CMT teams ensured a controlled shutdown of the respective sites and their subsequent re-activation. Site security, medical and maintenance staff were available throughout the period and we established a mechanism for employee traceability within the plant premises through their organisation into groups (from entry to exit). We also created SOP for re-activation of plants in complete alignment with Group EHS, national directives issued by the government and customer best practices.

Wellness initiatives

- Offices operated with 50% staff strength
- Parallel line protection was provided at assembly lines for social distancing
- Created side protection at sub-assembly and stations with acrylic sheets
- Container based toilet units built as part of additional amenities to enhance social distancing



Operational performance review

Our performance in Q1 and Q2 of the reporting year was adversely impacted by the pandemic. However, our response to the crisis was agile across the operating canvas. Our robust safety measures, stringent cost discipline, realisations from new projects, balanced portfolio management between industrial and automotive segments and a favourable demand scenario on the back of economic recovery helped us tide over the crisis. We improved our performance significantly in the following quarters. Our intelligent and agile capacity utilisation also helped us improve our performance. On the revenue front, our Q4 performance was one of the best of that in the preceding eight quarters.

Automotive

Our long-standing relationship with automotive OEM manufacturers helped us significantly during the year. On the aftermarket and distribution front, cost rationalisation, adopted last year, had a positive impact on our bottom-line performance. In 2020, we also managed business growth in our commercial vehicle segment, with the completion of multiple projects that were in the pipeline. While the automotive sector is still transitioning from BS-IV to BS-VI, we have already expanded our presence in the gasoline engines segment to minimise our risk exposure. This helped us gain considerable mileage with the country's top 5 automotive manufacturers across the chassis, engines and transmission segments. We launched a comprehensive range of lubricants for all vehicle segments under the brand name 'Schaeffler TruPower'. We have received very positive response from the market to this product range with a strong order book. With the gradual unlocking of the economy, and multiple initiatives undertaken by the government to propel the economy, our automotive business is likely to see faster growth, going forward.

Industrial

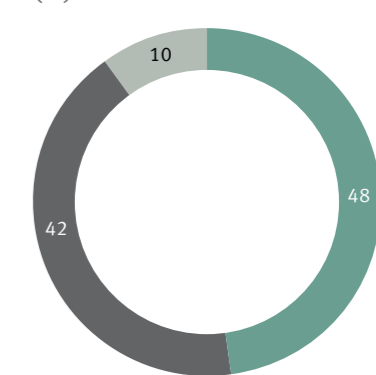
This segment contributes 42% to the entire business. Tepid growth in the country's industrial sector adversely impacted the performance of this

business in the initial quarters of the fiscal year. However, we continued to focus on operational efficiency and stringent cost efficiency to retain our competitive edge. Our strong legacy of innovation also helped us create differentiated products to gain market traction. We launched industry-leading products (OPTIME and Quick Centre) with unique value propositions, and they are receiving positive response from customers. This business segment registered good growth in the Q4 and is likely to grow faster in the coming quarters.

Financial performance review

2020 saw a degrowth of close to 14% in our net revenues. During the year, our net revenues stood at ₹ 37,618.4 million compared to ₹ 43,606.3 million in 2019. Our well-balanced portfolio, deep customer connect and stringent cost discipline helped minimise significant impact on the bottom-line. However, high input costs remained a concern throughout the year. Our bottom-line performance gradually recovered across the quarters. We generated a strong cash flow in Q4, which was 66.5% higher than that in Q3 of 2020 and 18.6% higher than that in Q4 of 2019. Notwithstanding challenges, we managed a 14.4% EBITDA margin, a marginal decline from last year's 14.8%. This happened against the backdrop of the recovery from the automotive sector, followed by some of the sectors in the broad industrial landscape, as well as our own intelligent and agile utilisation of available capacity. Our exports sales remained more or less the same as in 2019.

Revenue mix: 2020 (%)



■ Automotive and Automotive Aftermarket
■ Industrial and Industrial Aftermarket
■ Exports



₹ 21 mn

Total contribution to community initiatives during COVID-19 pandemic

Categories	2020	2019
REVENUES (NET)	37,618.4	43,606.3
EBITDA (Earnings before depreciation, interest, tax and prior period adjustments)	5,401.3	6,460.8
Less: Depreciation/Amortisation	1,939.7	1,587.1
Less: Finance cost	52.4	34.7
Add: Interest income	562.9	507.2
PROFIT BEFORE TAX (before exceptional items)	3,972.1	5,346.2
Provision for tax	1,062.4	1,666.4
PROFIT AFTER TAX	2,909.7	3,676.4

(₹ in mn)

Revenue

Particulars	₹ in mn	
	2020	2019
Segment Revenue (Net revenue/ Income)	37,618.4	43,606.3
Mobility components and related solutions	30,063.8	35,015.9
Others	7,554.6	8,590.4

Gross Operating Profit (EBITDA)

Particulars	₹ in mn	
	2020	2019
Gross Operating Profit (Earnings before depreciation, interest, tax and prior period adjustments)	5,401.3	6,460.8
Less: Depreciation/Amortisation	1,939.7	1,587.1
Less: Finance cost	52.4	34.7
Add: Interest income	562.9	507.2
PROFIT BEFORE TAX (before exceptional items)	3,972.1	5,346.2

Depreciation

Particulars	₹ in mn	
	2020	2019
Depreciation/Amortisation	1,939.7	1,587.1

Profit before tax

Particulars	₹ in mn	
	2020	2019
Profit before tax (before exceptional items)	3,972.1	5,346.2

Taxes

Particulars	₹ in mn	
	2020	2019
Provision for Tax	1,062.4	1,666.4

Profit/(Loss) after tax

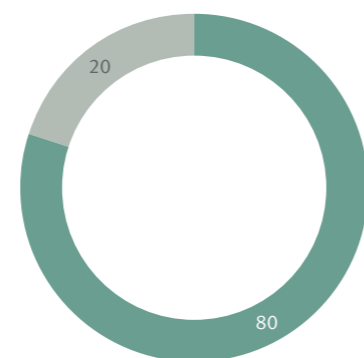
Particulars	₹ in mn	
	2020	2019
Profit after Tax	2,909.7	3,676.4

Cashflow

Particulars	₹ in mn	
	2020	2019
EBITDA*	5,401.3	6,460.8
Income tax	(1,384.3)	(1,633.3)
Change in working capital and others	2,474.9	270.2
Capital expenditure**	(2,376.7)	(3,198.6)
Interest income**	456.5	536.0
Free cash flow	4,571.7	2,435.1

*Earnings before Interest, Tax, Depreciation and Amortisation

**Figures are net

Revenue mix: 2020 (%)

■ Mobility components and related solutions
■ Others

**Business outlook**

Schaeffler India is progressing well on most of its strategic objectives outlined in this report and will continue to make requisite investments to take the Company's growth to the next level. The pent-up demand in the market, our counter measures, successful realisation of projects in the pipeline and a balanced portfolio management between automotive and industrial have helped us build a strong order book and deepen the existing connect with our customers. Our range of lubricants has received tremendous response in the marketplace and the demand uptick in industrial sectors such as wind, the distribution aftermarket, the off-road sector and the two-wheelers segment helped us remain optimistic throughout the year.

From the parent and promoter side, there is complete attention on India and this is reflecting well on our localisation strategy. We are looking to strengthen our local R&D capabilities and expand its edge to the maximum as India gradually becomes the export hub for all the products we supply to the Asia-Pacific region.

Going forward, in the automotive business, we will continue to focus on providing innovative products and solutions driven by superior technology. Our industrial business will continue to enhance our wallet share with existing relationships and help us add new clients across the value chain.

Internal control systems

Paralleling the risk management system, Schaeffler India has a system of internal controls over financial reporting (IFC) ensuring the accuracy of the accounting system and the related financial reporting. The internal control system provides for well-documented policies and procedures that are aligned with Schaeffler Group standards and processes. It adheres to local statutory requirements for orderly and efficient conduct of business, safeguarding of assets, the detection and prevention of frauds and errors, adequacy and completeness of accounting records and timely preparation of reliable financial information. The efficacy of the internal checks and control systems are validated by internal auditors.

Our IFC is conceptually based on the regulatory framework, as applicable. The controls defined in the framework are applied at all levels – entity level, process level and IT systems level.

At each year-end, management assesses the appropriateness and effectiveness of the IFC in place. To this end, we use 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 are

audited by the internal and statutory auditors. Wherever control weaknesses exist, actions to eliminate them are defined and monitored regularly to overcome.

Cautionary statement

Statement made in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic and overseas markets in which the Company operates, changes in the government regulations, tax laws, 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, 2020 to December 31, 2020
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	Automotive and varied Industrial sectors
8. List three key products/services that the Company manufactures/ provides (as in balance sheet)	1. Ball & Roller Bearings 2. Engine Components – HLA, RFF, varied plastic components 3. Transmission Components – Clutch, Clutch Disks/Plates
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, 2020 the paid-up capital of the Company stood at ₹ 312,607,340 consisting of 31,260,734 Nos. of Equity Shares of ₹ 10/- each
2. Total Turnover (₹)	The turnover for the Financial Year 2020 was ₹ 37,618.4 million
3. Total profit after taxes (₹)	For the Financial Year ending on December 31, 2020, the net profit of the Company was ₹ 2,909.7 million
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	~2%
5. List of activities in which expenditure in 4 above has been incurred:	Please refer. Project-wise summary under CSR Report on page No.94-95

Section C: Other Details

1. Does the Company have any Subsidiary Company/Companies?	Company has no Subsidiary as on December 31, 2020
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
5. 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

Questions	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...	Yes, Company's Code of Conduct sets out the principle & practices that must be observed toward Business Partner and Third Parties.								
2. Has the policy being formulated in consultation with the relevant stakeholders?	Yes, while formulating the policy documents – rights & of best Industry Practices.								
3. Does the policy conform to any national/international standards? If yes, specify?	Fairness, mutual respect and integrity are the cornerstones within the Company and the Schaeffler Group upon which our actions are based. Being member of Schaeffler Group, the Company believes in benchmarking practices and global standards – to the best possible extent.								
4. Has the policy been approved by the Board? If yes, has it been signed by MD/Owner/CEO/appropriate Board Directors?	All Statutory Policies and Codes are adopted considering prevailing Legal requirements and approvals of respective authority levels [Board of Directors, its Committees and Company Management].								
5. Does the Company have a specified committee of the Board/Director/Official to oversee the implementation of the Policy?	Implementation mechanism of all the Policies & Codes is presented to and reviewed by the respective authority levels periodically.								
6. Indicate the link for the policy to be viewed online?	https://www.schaeffler.co.in/content.schaeffler.co.in/en/investor-relations/corporate-governance/codes-and-policies/index.jsp								
7. Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes, the policies are communicated to all the stakeholders and awareness programmes, workshops and e-learning modules including tests and certification are administered which are mandatory for all relevant employees.								
8. Does the Company have in-house structure to implement the policy/policies?	Compliance Management System of the Schaeffler Group and Company' Vigil Mechanism/Whistle-Blower Policy are effective tool towards grievance redressal mechanism.								
9. Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	The Company has carried out audits as applicable for the respective 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: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.

- The Company should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain. Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders.
- It should not engage in practices that are abusive, corrupt, or anti-competition.
- To discharge their responsibility on financial and other mandatory disclosures truthfully.
- It should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines

Performance Assessment:

1. Does the policy relating to ethics, bribery and corruption cover only the company? 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

Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

- a. To assure safety and optimal resource use over the life cycle of the product – from design to disposal and ensure that everyone connected with it- designers, producers, value chain members, customers and recyclers are aware of their responsibilities.
- b. Should raise consumers awareness of their rights through education, product labelling, appropriate and helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.
- c. In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.
- d. Businesses should regularly review and improve upon the process of new technology development, deployment and commercialisation, incorporating social, ethical, and environmental considerations.
- e. Businesses should recognise and respect the rights of people who may be owners of traditional knowledge, and other forms of intellectual property.
- f. Businesses should recognise that over-consumption results in unsustainable exploitation of our planet's resources, and should therefore promote sustainable consumption, including recycling of resources.

Performance Assessment:

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.	Our business mainly increasing the fuel efficiency by then reduces the environmental impact. For example
a. Clutch Disc – With no Asbestos	1. No Asbestos in Clutch Disc (friction material)
b. 1T bearings for automotive applications and New Generation DGBB	2. Fuel Efficiency and Less noise by bearings from minute diameter
c. Large Size Bearings for windmills – with increased life and durability	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):	<p>The resources like electricity, natural gases, water, raw materials, steel, castings, forgings are utilised in our processes to convert into a product. Also, we are conserving the energy by Energy Efficiency Programs</p> <p>For e.g. The electricity utilisation per unit of clutch and Clutch release system is 1.69 against target of 1.75/unit</p>
a. Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?	<p>Company has clear target for the freshwater consumption defined by the Management board. 20% reduction of the total fresh water supply until 2030.</p> <p>In the last financial year overall reduction of water usage was 3.6% which will be further reduced in the current financial year.</p>
b. Reduction during usage by consumers (energy, water) has been achieved since the previous year?	<p>Schaeffler India products focuses on energy efficiency which provides high durability and less consumption of energy.</p> <p>For E.g.</p> <ol style="list-style-type: none"> 1. Water pump bearing of Schaeffler India provides higher efficiency which tends to consume comparatively less power. 2. Schaeffler India clutch provides a self-adjusting clutch which helps the engine of a vehicle consume less fuel and less wear.
3. Does the company have procedures in place for sustainable sourcing (including transportation)?	<p>Yes, the Company has a global target of achieving 90% sustainable suppliers by 2021</p> <p>These are defined in the EHS policy of our Company.</p> <p>Minimum Environmental Impact and Environmentally Friendly Products Regardless of the activities we are carrying out, we endeavor to minimise environmental impact by taking suitable measures in advance. We consume raw materials and energy sparingly and make every effort to minimise waste, wastewater, noise, and other emissions. We manufacture environmentally friendly products taking into account the entire product life cycle.</p>
a. If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.	<p>Yes.</p> <p>As on end of 2020, 39% of the suppliers were assessed for Sustainable Suppliers Self-Assessment defined by Schaeffler globally.</p> <p>Awareness about various environmental aspects and guidelines regarding good environmental practices are being given to the suppliers from time to time. Suppliers are also audited for the basic environmental, health and safety requirements.</p> <p>Supplier are carried out with a selection process which includes environmental condition and actions towards protecting it. The purchase team are trained in environmental sound purchasing and group guidelines which ensures the minimum impact.</p>
4. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work?	<p>Yes.</p> <p>Localization projects are being increased year on year.</p> <p>This is a major focus area to reduce the cost, energy and Scope 3 CO₂ emission</p> <p>Sourcing from all the size of the producers</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 Schaeffler India plants located.</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>Schaeffler India manufactures environmentally friendly products taking into account the entire product lifecycle.</p> <p>Schaeffler has now defined sustainable target to create a Circular Economy</p> <p>The Company is not taking back the materials from consumers after usage for recycle but some of the unique products from major customer are refurbished.</p> <p>E.g.</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 and waste is >89% in all locations of Schaeffler India. Company had a target of achieving 90% recycle of scrap and waste by 2020. This will protect the resource depletion and protecting the environment.

Principle 3**Businesses should promote the wellbeing of all employees**

- Businesses should respect the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance redressal mechanisms
- Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation
- Businesses should not use child labour, forced labour or any form of involuntary labour, paid or unpaid
- Businesses should take cognisance of the work-life balance of its employees, especially that of women
- Businesses should provide facilities for the wellbeing of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees
- Businesses should provide a workplace environment that is safe, hygienic humane, and which upholds the dignity of the employees. Business should communicate this provision to their employees and train them on a regular basis
- Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions
- Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities

Performance Assessment:

1. Please indicate the Total number of employees	2794	
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.	1960	
3. Please indicate the Number of permanent women Employees.	79	
4. Please indicate the Number of permanent employees with disabilities.	7	
5. Do you have any employee association that is recognised by the Management	1. FAG Karmachari Association 2. Shiv Kranti Kamgar Sanghatana 3. LuK India Employees Union 4. LuK India National Employees Union	
6. What percentage of employees is member of this recognised employee association	32.60%	
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.		
Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
Child labour/forced labour/involuntary labour	NIL	NIL
Sexual harassment	1	NIL
Discriminatory employment	NIL	NIL
8. What percentage of your under mentioned employees were given safety & skill up- gradation training in the last year		
a. Permanent Employees	52.5%	
b. Permanent Women Employees	74.7%	
c. Casual/Temporary/Contractual Employees	41.9%	
d. Employees with Disabilities	66.7%	

Principle 4**Businesses to respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.**

- Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement, and commit to engaging with them
- Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product and services and associated operations on the stakeholders
- Businesses should give special attention to stakeholders in areas that are underdeveloped
- Businesses should resolve differences with stakeholders in a just, fair and equitable manner

Performance Assessment:

1. Has the company mapped its internal and external stakeholders? Yes/No	Yes
2. Out of the above, has the company identified the disadvantaged, vulnerable and 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 recognises 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 and Education. The details of such programmes and their impact assessment are disclosed in Corporate Social Responsibility section of the Annual Report.

Principle 5: Businesses should respect and promote human rights

- Businesses should understand the human rights content of the Constitution of India, national laws and policies and the content of International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature.
- Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations, and ensuring all individuals impacted by the business have access to grievance mechanisms.
- Businesses should recognise and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalised groups.
- Businesses should, within their sphere of influence, promote the awareness and realisation of human rights across their value chain.
- Businesses should not be complicit with human rights abuses by a third party.

Performance Assessment:

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. Total No. of stakeholder complaints received in the past financial year and percentage of Complaints resolved by the management	There were no complaints with regards to Human rights violations.

Principle 6**Business should respect, protect, and make efforts to restore the environment.**

- Businesses should utilise natural and man-made resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste.
- Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.
- Businesses should ensure that benefits arising out of access and commercialisation of biological and other natural resources and associated traditional knowledge are shared equitably.
- Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting use of energy efficient and environment friendly technologies and use of renewable energy.
- Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.
- Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.
- Businesses should proactively persuade and support its value chain to adopt this principle.

Performance Assessment:

1. Does the policy cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.	Yes, extended to all stakeholders and interested parties.
2. Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc?	Yes, global strategies are defined for the company on Climate protection, Carbon Neutral Protection and sustainable suppliers etc. Sustainability Schaeffler Group
3. Does the company identify and assess potential environmental risks?	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 man-made 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 and 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. Each location is running a management program to reduce the impact on environment.
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 set up a global sustainability target of achieving carbon neutral production sites by 2030 driven centrally by Headquarters To achieve this, we have defined the below goals: 1. Achieve maximum renewable energy coverage by 2024 2. 100 GWh cumulated annual efficiency gains until 2024
5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc.	Yes, the Company has taken several initiatives Hosur location purchased third party renewable energy of 5MW produced from solar panels. Which is 50% of plant's overall consumption and 4185 tons of CO ₂ emission neutralised. EEP (Energy Efficiency Projects) are carried at all the locations and achieved 429MW energy savings Some of the projects are: 1. Salvi installed new compressor management systems to use the compressed air efficiently 2. Maneja installed frequency converter for the central emulsion system 3. Pune replaced 22kW motors with energy efficient motors etc.

6. Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?	Yes, The legal requirements defined by CPCB and SPCB which are regularly monitored by each location this helps Company to perform within the specified limits. For e.g. Annual monitoring of the workplace air quality and ambient air quality are done to check the performance.
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.	No show cause/legal notices received by the Company in the financial year.

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.	Yes, Confederation of Indian Industry, Indo German Chamber of Commerce, Federation of Gujarat Industries, The Economic Times India Leadership Council, Auto Component Manufacturers' Association.
2. Have you taken part in discussions/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).	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 and reduction.

Principle 8:**Businesses should support inclusive growth and equitable development**

- Businesses should understand their impact on social and economic development, and respond through appropriate action to minimise the negative impacts
- Businesses should innovate and invest in products, technologies and processes that promote the wellbeing of society
- Businesses should make efforts to complement and support the development priorities at local and national levels and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.
- Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns

Performance Assessment

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 Director's Report in CSR segment
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 INR and the details of the projects undertaken.	The details of contributions made by the Company for community development are provided in the CSR report of the Company.
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.	Yes and the details are well explained in the initial pages.

Directors' Report

Dear Shareholders,

Your Directors are pleased to present the 58th Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2020.

Financial Highlights

Particulars	₹ in million	
	2020	2019
REVENUES	37,618.4	43,606.3
EBITDA*	5,401.3	6,460.8
Less: Depreciation	1,939.7	1,587.1
Less: Finance cost	52.4	34.7
Add: Interest Income	562.9	507.2
PROFIT BEFORE TAX (before exceptional items)	3,972.1	5,346.2
Provision for Tax	1062.4	1,666.4
PROFIT AFTER TAX	2,909.7	3,676.4

* Earnings before Interest, Tax, Depreciation and Amortisation

Financial and Operational Performance

Performance of the Company and State of Company's Affairs

Your Company's Revenues was ₹ **37,618.4** million in year 2020 (Year 2019: ₹ 43,606.3 million) which is lower by 13.7%. Profit before tax (before exceptional items) was placed at ₹ **3,972.1 million** (Year 2019: ₹ 5,346.2 million) down by 25.7%. Your Company recorded profit after tax of ₹ **2,909.7 million** (Year 2019: ₹ 3,676.4 million) which represent a decline of 20.9%.

Outlook

Recovery in global growth will largely be a function of how countries contain the pandemic and bounce back from its negative impact. In this scenario, global economic growth is expected to touch 5.5% in 2021 and 4.2% in 2022. This is 0.3 percentage points higher than the forecast made in October 2020, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies. Emergence of renewed waves and new variants of the virus are key risks to economic recovery.

India Outlook

In FY21, India's GDP is estimated to contract by 7.7% (Source: Economic survey 2020-21s) owing to the hit from the pandemic. Manufacturing and services segments are likely to decline by 9.6% and 8.8%, respectively. On the other hand, agriculture segment is likely to grow 3.4% providing some support to the economy. Signs of uptick were visible in the second half of the year due to consumption growth.

Material Changes and Commitments and Change in Nature of Business

There have been no material changes and commitments affecting the financial position of your Company from the end of the Financial Year 2020 up to the date of this report.

There has been no change in the nature of business of your Company.

Dividend and Transfer to Reserves

Your Company has a steady dividend payment history and considering the financial performance of the year 2020, your Directors recommend dividend for the year ended December 31, 2020 at the rate of ₹ 38 (2019: ₹ 35/-) per equity share amounting to ₹ 1,187.9 million (2019: ₹ 1,094.1 million). Considering sufficiency of balance, your Directors do not propose to transfer any amount to General Reserves for the year under review.

The details of the Dividend for the years 2020 and 2019 are as follows:

Dividend	2020	2019
Month and Year of Declaration	April 2021	June 2020
Amount of Dividend Per Equity Share of ₹ 10 each (In ₹)	38	35
% of Dividend	380	350
Total Dividend (Amt. in ₹ mn)	1,187.9	1,094.1

Dividend Distribution Policy

Your Company has adopted the Dividend Distribution Policy to determine the distribution of dividends in accordance with the provisions of applicable laws and the same has been uploaded 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/dividend_distribution_policy_schaeffler_india.pdf

Corporate Governance

A separate section on Corporate Governance forms integral part of the Annual Report and a compliance certificate from M/s. Samdani Kabra & Associates, Company Secretaries, the Company's Secretarial Auditors confirming the compliance of conditions of Corporate Governance is annexed thereto.

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 ('SEBI Listing

Regulations'), detailed review of operations, performance and future outlook of the Company is covered under Management Discussion & Analysis section of the Annual Report.

Business Responsibility Report

Pursuant to Regulation 34 read with Schedule V of the SEBI Listing Regulations, detailed initiatives taken by the Management from an environmental, social and governance perspective is covered under Business Responsibility Report section of the Annual Report.

Board of Directors

Board's Composition and Independence

Board Composition

Your Company's Board consists of leaders and visionaries who provide strategic direction and guidance to the organisation. As on December 31, 2020, the Board comprised of 2 (Two) Executive Directors, 5 (Five) Non-executive Independent Directors and 3 (Three) Non-executive Non-independent Directors. At present, your Company has 8 (Eight) Non-Executive Directors out of which 5 (Five) are Independent Directors. Pursuant to the provision of Regulation 17(1)(a) of the Listing Regulations, the Board of Directors of the top 1,000 listed entities are required to have at least one Independent Woman Director. Further, as per the Regulation 17(1)(b) of the Listing Regulations, every listed company is required to have at least one-third of its total strength of the Board of Directors as Independent Directors where Chairman is a Non-executive Director. Your Company complies with these requirements.

Independent Directors' Declaration

Definition of 'Independence' of Directors is derived from Regulation 16 of the SEBI Listing Regulations and Section 149(6) of the Companies Act, 2013. The Company has received necessary declarations under Section 149(7) of the Companies Act, 2013 and Regulation 25(8) of the SEBI Listing Regulations, from the Independent Directors stating that they meet the prescribed criteria for independence. All Independent Directors have affirmed compliance to the code of conduct for Independent Directors as prescribed in Schedule IV to the Companies Act, 2013. List of key skills, expertise and core competencies of the Board forms part of this Annual Report.

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.

As per regulatory requirements, all the Independent Directors have registered their names in the Independent Directors' Databank, pursuant to provisions of the Companies Act, 2013 and rules made thereunder. Further, they are exempted from the requirement of passing the online proficiency self-assessment test.

Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Satish Patel [DIN: 00690869] and Mr. Dharmesh Arora [DIN: 05350121] will retire by rotation at the ensuing Annual General Meeting ('AGM') and being eligible offer themselves for reappointment. Mr. Patel and Mr. Arora have confirmed their eligibility and willingness to accept the office of the Director of your Company, if confirmed by the Members at the ensuing AGM. In the opinion of your Directors, Mr. Patel and Mr. Arora possess requisite qualifications and experience and therefore, your Directors recommend that the proposed resolutions relating to the re-appointment of Mr. Patel and Mr. Arora be passed with the requisite majority.

The Members of your Company in 57th Annual General Meeting confirmed the appointment/re-appointment as follows:

- Confirmation of appointment of Mr. Harsha Kadam (DIN: 07736005) as Managing Director for a term of five consecutive years up to September 30, 2024.
- Confirmation of appointment of Mr. Arvind Balaji (DIN: 00557711) as an Independent Director for a term of five consecutive years up to November 5, 2024.
- Confirmation of appointment of Mr. Amit Kalyani (DIN: 00089430) as an Independent Director for a term of five consecutive years up to February 10, 2025.
- Reappointment of Mr. Jürgen Ziegler, who was liable to retire by rotation and being eligible had offered himself for re-appointment.
- Reappointment of Mr. Klaus Rosenfeld, who was liable to retire by rotation and being eligible had offered himself for re-appointment.

Pursuant to Rule 8(5)(iii) of the Companies (Accounts) Rules, 2014, the following changes occurred in the directors during the year ended December 31, 2020 –

Mr. Rakesh Jinsi [DIN: 00182187] completed his term of appointment as Independent Director on February 10, 2020. Mr. R Sampath Kumar [DIN: 00495192] resigned from the Directorship effective May 30, 2020. Your Directors express their gratitude for the contribution made by Mr. Jinsi and Mr. Kumar during their tenure as Director.

During the year under report and till the date of this report, the Board has appointed Ms. Eranti V. Sumithasri effective from July 15, 2020 as Independent Director for a term of five years subject to the approval of Shareholders, and therefore, she is not liable to retire by rotation.

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 58th Annual General Meeting of the Company.

There is no inter-se relationship between the Directors.

In terms of the SEBI Listing Regulations, your Company conducts the Familiarisation Program for Independent Directors about their roles, rights and responsibilities in your Company, nature of the industry in which your Company operates, business model of your Company etc., through various initiatives. The details of the same can be found at

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

Key Managerial Personnel (KMP)

Pursuant to provisions of Section 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. Ashish Tiwari

Pursuant to Rule 8(5)(iii) of the Companies (Accounts) Rules, 2014, the following changes occurred in KMP during the year ended December 31, 2020 –

During the year, Mr. Chirag K. Shukla 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 and designated as Vice President - Legal & Company Secretary.

Meetings of Board of Directors

During the year under review, four meetings of the Board of Directors were held in compliance with the Companies Act, 2013 and Listing Regulations on –

Sr. No.	Quarter ended	Date of Meeting
1.	December 2019	February 12, 2020
2.	March 2020	May 13, 2020
3.	June 2020	July 24, 2020
4.	September 2020	October 28, 2020

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 the 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.

In addition to above, the NRC may take up any other matters related to talent management in general upon the advice of the Board.

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.

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. The remuneration to be paid to KMP and Senior Management is recommended by NRC to the Board for its approval.

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, Committees of the Board and Directors (including Executive Directors, Non-executive Non-independent Directors and Non-executive Independent Directors) have been prepared as per the process and criteria approved by the Board.

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 Board carries out evaluation of its own performance, each of the Committees and that of all Directors.

For the year 2020, the Board has carried out an annual performance evaluation of its own and that of each of the Committees and all Directors including the Chairman of the Company.

Qualitative comments received during the Board evaluation were as follows:

- a. The Board is diverse and forward looking.
- b. The Meeting agenda and proceedings are well structured and focused and Board Member's participation is of high quality.
- c. The year saw most of the Board Meetings to be conducted in virtual manner. Meetings were as effective and this format could potentially be considered for occasional meetings, even after the current travel restrictions are no longer applicable, subject to the approval of the virtual meetings by the legal authorities in India. There is scope

to align the agenda, content and meeting times in a better manner.

- d. It is recommended to have an additional Board Meeting i.e., 5th Board Meeting in a year exclusively focusing on strategy, risk management and Environmental, Social and Corporate Governance (ESG).

Conclusion

The evaluation for the year 2020 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.

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 2020, the Independent Directors have held one separate meeting on October 27, 2020.

Audit Committee

The Audit Committee consists of seven Directors including five 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, Ms. Eranti V. Sumithasri, Mr. Jürgen Ziegler and Mr. Satish Patel. The Committee met four 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 use the mechanism. The mechanism also provides for direct access to the Chairperson of Audit Committee in appropriate cases. The Whistle-Blower/Vigil Mechanism Policy can be accessed on the Company's 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/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 growth are identified and addressed on timely basis. Report on Risk Management forms an integral part of this 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, Ms. Eranti V. Sumithasri, Mr. Sameer Mathur (Chief Operations Officer) and Mr. Santanu Ghoshal (Vice President – 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 ('AGM') of the Company held on April 24, 2015 for a period of five consecutive years and were reappointed for a period of one year from the conclusion of the 57th AGM of the Company up to conclusion of the 58th AGM. They complete their term at the conclusion of the ensuing AGM of the Company.

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.

The Board, on the recommendation of the Audit Committee, recommended for the approval of the Shareholders, the appointment of M/s. Walker Chandio & Co LLP, Chartered Accountants, (Firm Registration Number: 001076N/N500013) as the Statutory Auditors of the Company for a period of five years from the conclusion of the ensuing 58th AGM till the conclusion of the 63rd AGM. On the recommendation of the Audit Committee, the Board also recommended for the approval of the Shareholders, the remuneration of the Statutory Auditors. The appropriate resolution seeking your approval for the appointment and remuneration of M/s. Walker Chandio & Co LLP as the Statutory Auditors forms part of the Notice convening the 58th AGM of the Company.

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 Section 148(1) of the Companies Act, 2013 read with the 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, were appointed as Cost Auditors to conduct the audit of the cost records of the Company for the financial year ended December 31, 2020. 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 2021.

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 responsibilities. 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.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

Your Company's CSR expenditure was ₹ 101.6 million i.e. nearly 2% of the Average Net Profits of your Company made during three immediately preceding financial years. A summary of CSR Policy together with details of CSR activities undertaken by the Company during the year 2020 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) 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 for the financial year 2020 has been annexed to this report. (Annexure - F)

A copy of Annual Return of the Company for the financial year 2019 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/2019_Annual_Return.pdf

Particulars of Loans, Investments, Guarantees and Securities

The particulars of loans and investments have been disclosed in notes to the Financial Statements. The Company did not give any guarantee or provide any security in connection with any loan and did not acquire any securities during the financial year.

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

Your 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 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_against_sexual_harrasment.pdf

Internal Complaints Committee (ICC) has been constituted 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 2020

There were no complaints pending at the beginning of the year 2020 and the Company received one complaint during the year 2020 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:

- 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;
- 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, 2020 and of the profit of the Company for that period;
- 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;
- Annual accounts of the Company have been prepared on a 'going concern' basis;
- 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
- 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

The Board of your Company has laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively. The Risk Management Framework recognises the Internal Financial Controls as an integral part of its framework and has policies and procedures for addressing the financial and financial reporting risks and ensures orderly and efficient conduct of its business, including adherence to the Company's policies, 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 disclosures.

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, 2020 had sound internal financial controls. These controls placed by the Company commensurate with the nature and size of the business operations and are adequate and operating effectively with no material weakness.

The key internal financial controls and compliance systems have been documented, automated wherever possible and embedded in the respective business processes.

Compliance of Secretarial Standards

Your 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).

Investor Education and Protection Fund (IEPF)

Pursuant to the applicable provisions of the Act, read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules') as amended, all unpaid or unclaimed dividends which were required to be transferred by the Company to the IEPF were transferred to IEPF Authority. The Company has also transferred shares in respect of which dividend amount remained unpaid/unclaimed for a consecutive period of seven years or more to IEPF Authority within stipulated time.

The details of unpaid/unclaimed dividend and the shares transferred to IEPF Authority are available on the Company's website at

<https://www.schaeffler.co.in/content.schaeffler.co.in/en/investor-relations/shareholders-information/unclaimed-unpaid-dividend/index.jsp>

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. However, the Competition Commission of India ('CCI') in a Suo Moto case against the Company and others, about certain anti-competitive practice in industrial and automotive bearings market in India, has on June 5, 2020, passed an Order ('Order') which is uploaded on the website of the CCI. The CCI has not imposed any monetary penalty on Schaeffler or upon any of its employees and directed to cease and desist from the conduct found to be in contravention of the Competition Act. There shall be no impact on the financial position of the Company. As a law-abiding Company, Schaeffler has internally adopted a compliance program and imparted training to its staff in respect of the Competition Act. Schaeffler remains fully committed towards compliance with the laws of India.

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

New Delhi: February 16, 2021

Secretarial Audit Report

For the Financial Year ended December 31, 2020

(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, 2020, 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 period under review, 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.

Suresh Kumar Kabra

Partner

Samdani Kabra & Asso.

Company Secretaries

ACS No. 9711

CP No. 9927

UDIN: A009711B002986751

Place: Vadodara,

Date: February 16, 2021

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 Secretarial Audit Report of even date is to be read along with this letter, that:

- 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.

Suresh Kumar Kabra

Partner

Samdani Kabra & Asso.

Company Secretaries

ACS No. 9711

CP No. 9927

UDIN: A009711B002986751

Place: Vadodara,

Date: February 16, 2021

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 सुखिनः' (May everyone be happy) and take up the cause of welfare amongst communities in which we operate.

Delineating our responsibility as a Corporate Citizen, we at Schaeffler India are committed to operate our business in an economically, socially & environmentally sustainable manner. At the same time, we endeavour to reach out to different sections of the society, with socially relevant projects, that benefit these communities and in small ways enhance the quality of their lives. These initiatives are independent of the normal operations of our Company's business. Programmes, projects and activities (collectively "CSR Programmes") 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 Committee Members	Role in the Committee	Category
1.	Mr. Arvind Balaji	Chairman	Non-executive & Independent
2.	Mr. Harsha Kadam	Member	Executive & Non-Independent
3.	Mr. Amit Kalyani ¹	Member	Non-executive & Independent

¹ 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 effective February 11, 2020.

3. Average net profit for past three financial years:

₹ 5,239 million

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

₹ 104.8 million

5. Details of CSR Spent during the Financial Year:

(A) Total amount to be spent for the Financial Year: ₹ 101.6 million

(B) Amount unspent, if any: ₹ 3.2 million

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

6. Reasons for the amount unspent:

The Corona Pandemic hugely affected the CSR projects, due to prolonged lockdown and unavailability of manpower either to run the programmes or to reach out to beneficiaries.

However due to sustained monitoring and collaboration with the implementation partner we have been able to judiciously consume 97% of the allocated budget as on December 31, 2020.

7. Details of the CSR Initiatives and Projects:

Introduction:

At Schaeffler India, social and relationship capital is a paradigm of value creation and is operationalised through its Corporate Social Responsibility policy and projects.

At Schaeffler India, we believe that for an organisation to truly progress, its community must progress with it. For us inclusive development has never been an add on to philanthropy, but an integral part of our business strategy. The Company is committed to creating holistic value and drive inclusive growth for communities in its project areas.

A structured approach towards CSR management has enabled us to design community development initiatives that deliver high impact results in our focus areas of education, healthcare and community development. Since COVID-19 emerged in December 2019, it has spread around the world at an exponential rate, becoming one of the most significant crises in recent history. The primary objective of our response has been to ensure the safety and well-being of our beneficiaries and partners. We responded swiftly to serve the community needs with supply of essentials.

Our role has progressively grown from being just a resource provider to a facilitator and now an enabler for driving positive change. Schaeffler India is grateful to all internal and external stakeholders for their consistent support and encouragement.

Operational Highlights of the CSR Initiatives during 2020:

A. Health Care: Mobi-Health Units

MHU was launched by Schaeffler India in 2014 at Vadodara and 2017 at Talegaon, Pune, in partnership with Deepak Foundation. The project of Mobi-Health Unit was initiated to facilitate access to public health care particularly to people living in remote, difficult, under-served, and unreached areas. The objective was to take healthcare to the doorstep of the under-served communities thus making healthcare reach to the last mile.

In the Current Covid-19 pandemic, the units have adapted quickly and continued with consistent and committed healthcare services in the communities. From awareness generation regarding COVID-19 to newer initiatives in the form of telemedicine have been successfully implemented under the Mobi-Health units.

Key Achievements

1. Vadodara (Cumulative Coverage 2014- 2020)

- Since inception **3.20 lakh** health consultations have been provided to the patients through two Mobile Healthcare Units under Schaeffler, covering 1.56 lakh population of 49 villages in Vadodara, Gujarat

- Over **6389** adolescent girls screened for anemia, of which more than 2968 girls received follow-up

treatment. A total of **950** adolescent girls have been treated completely since inception

- Over **7555** children (under 5 years) screened for malnutrition, and more than 3222 children received follow-up treatment. A total of **627** children were treated completely since inception

Highlights of 2020

Over **47,684** beneficiaries have been covered through various interventions in the MHUs of Vadodara.

- OPD coverage: Over 32,589 beneficiaries treated under OPDs
- Counseling & Awareness coverage: Over 13,316 beneficiaries counseled during regular OPD, events and awareness sessions on various topics like adolescent anemia, breast cancer, diabetes
- Adolescent Anemia Clinic: Over **2429** adolescent girls were screened for anemia, of which 815 adolescent girls were diagnosed as anemic and received treatment for it. A total of **171** adolescent girls were treated completely from January to November 2020
- Underweight Child Clinic: Over **2458** children were screened for malnutrition and of these more than 734 children were found malnourished and followed up for treatment. A total of **43** children were treated completely from January to November 2020
- 1000 days intervention (MIYCN Programme): **1662** pregnant women, lactating mothers, and caretakers of 0-23 months children covered under first 1000 days intervention

2. Talegaon (Cumulative Coverage 2017-2020)

- Since inception **74,120** health consultations have been provided to the patients through one Mobile Healthcare Unit under Schaeffler India, covering 14 thousand population of 29 villages in Talegaon, Pune, Maharashtra
- Over **490** adolescent girls screened for anemia, of which more than 291 girls received follow-up treatment. A total of **48** adolescent girls have been treated completely since inception
- Over **990** children (under 5 years) screened, and more than 339 children received follow-up treatment

Highlights of 2020

- Over **12,966** beneficiaries have been covered through various interventions in the MHU.

- OPD Coverage: Over **9,340** beneficiaries treated under OPDs
- Counselling & Awareness coverage: Over **3,626** beneficiaries counseled during regular OPD, events and awareness sessions on various topics like adolescent anemia, skin disease, non-communicable disease, diabetes, infant and young child feeding
- Adolescent Anemia Clinic: Over 115 adolescent girls were screened for anemia, of which 46 adolescent girls were diagnosed as anemic and received treatment for it from January to November 2020
- Underweight Child Clinic: Over 311 children were screened for malnutrition and of these more than 69 children were found malnourished and followed up for treatment from January to November 2020

- **17** students (**15 boys and 2 girls**) got placed till now (89.5% and is quite an achievement to begin with)

In the current year **21** students have enrolled at our Chakan Centre and **23** students in Chinchwad

STEP, Hosur

STEP center, Hosur was inaugurated in 2019 in partnership Skill Sonics and provide trainings in CNC Machinist and Mechatronics

- Till date **188** students have successfully completed their training (**168 boys and 20 girls**)
- Total of **161** students got placed (**153 boys & 8 girls**) with an average salary of ₹ **15k-20k per month (86% placement record maintained)**

2. Schaeffler India Engineering Scholarship Program

Schaeffler India Engineering Scholarship program is a flagship programme under the banner of HOPE, for inspiring bright scholars from underprivileged background to take up **Engineering & Technology** as profession by sponsoring their education fee, hostel fees and all study related expense.

- **38%** of scholars are budding female engineers.
- In 2019 out of **1729** applications received, **563** were qualified for screening process, **236** applicants were shortlisted basis on merit criterion and **32** students were supported with ₹ **75,000 per year**.
- Total **12** girls were provided scholarship out of all shortlisted
- In the year 2020, **28** scholars found eligible from 2019 batch, **63** new applicants were shortlisted, **33** were interviewed and **20** were selected for the Scholarship.

3. Nitara

Established in August 2017, the 'Nitara Beauty Academy & Salon' in the city of Vadodara, has been the pillar of 'Livelihood Enablement', particularly for the marginalised and differently-abled candidates.

Key Achievements

- The Academy since inception, has graduated **265** beauty professionals. **250** of them are marginalised and differently-abled.
- More than **200** of the certified candidates have been placed, post certification in various parlors and beauty organisations.
- 38 differently abled to become professional beauticians by following their passion and hand holding support over the years.

Achievement in 2020

- In 2020, 60 enrolments were targeted and achieved despite challenges posed by COVID19 for most of the year. Out of 60, 18 of them are differently abled. During the year, we placed 57 against 60 enrolled (95% placement).

National University Student's Skill Development (NUSSD) Project

Schaeffler India signs MoU with Tata Institute of Social Science (TISS) in 2020, to implement a National University Student's Skill Development (NUSSD) - recognised project, aimed at providing skills training to the youth.

The objective behind this programme is to provide skill training to graduating college students to enable them to better understand and enhance their job-related skills.

Total **4** colleges across the region has been roped in to impart diploma courses in **8 subjects** like Banking/Export/Digital Marketing/Hospitality/Pharma Sales/Tourism/Retail.

A total of **406** students have been registered against a target of 350 students with **58% female enrollment**. Priority has been given to students from economically backward sections of the society

C. Empowerment of Society

1. Construction and management support to Lok Vidhyalaya School:

As uncertainty continues over the reopening of schools which have been shut since March due to Covid-19 pandemic. Though the online classes had started for the students of Lok Vidhyalaya, both the teachers and students are facing several challenges for conducting virtual classes as most of the students do not have access to digital gadget. Considering the students poor access, we have introduced a new initiative "Learning Moves on to Every Doorstep". This initiative started keeping in mind that each child deserved to be educated even when the situation is not favorable, the teachers of Lok Vidhyalaya personally visited villages to teach their students, educating them and building a sense of motivation in them is nothing but a selfless act by all these teachers.

Key Achievements in 2020:

- In September 2020, availed permission from Government to start primary section class 6 to 8 on highly subsidised fees model.
- Construction work of boys' hostel completed in December 2020, which will accommodate 156 tribal children.

Key metrics improved since Schaeffler India's adoption of School:

- **373** under privileged and tribal students enrolled 2019-2020
- **55%** enrolment each year, **91%** retention
- **40%** female population
- **98%** of students from backward communities.
- HSC board results improved to **66.8%** in **2019-20**
- **93%** students belong to BPL family

2. Comprehensive Community Development

The project was started in 2020, with a focus on rural area around Talegaon facility focusing community improvement and women empowerment. These villages are in the radius of 20-50 kms from the Talegaon plant and covers 10 villages and 2,500 households.

In this project we intend to cover 10 schools across these villages and benefit approx. 650 students in the std 1-5. All these are government aided schools.

Key Achievements:

- Under the mobile science lab 10 schools are being covered and 655 students in the age group of 9-14 years have been enrolled, 397 children reached so far, class wise (4th-7th std.) sessions are being conducted, 105 sessions conducted so far on topics related to science and maths including hands on activity with the syllabus based variety of STEM material.
- Several Libraries were created with provision of appropriate level wise reading material and storage facility, 103 sessions on storytelling, read aloud sessions etc. have been conducted, 384 children have been reached.
- Under the Bala project 10 schools are being covered and 909 students (6-14 years) have benefitted so far. 2 schools designed as per Bala concept covering various available spaces like classroom wall, corridors, compound wall to act as learning aids.
- 25 students selected for Jawahar Navodaya Vidhyalaya exam provided with regular coaching, 34 classes conducted so far.

3. Support towards Corona Pandemic

- Our employees donated whole-heartedly as part of company's contribution ₹ **1.3 cr to PM CARES Fund**.
- Additionally, we contributed ₹ **60 lakh to buy Ventilator & medical equipments to build ICU at District Hospital, Aundh, Pune**.
- ₹ **10 lakh donated to ESIC Hospital in Krishnagiri**, for procuring medical instruments.
- ₹ **5 lakh was donated to District Health Department** in form of PPE kits, masks, medicines.
- Based on the State government guidelines 22 villages around Schaeffler Talegaon plant were provided with Arsenic Album tablets as prophylactic measure against Covid-19 pandemic in June 2020.

B. Occupational Skill for Employability:

1. STEP Centers

Schaeffler Technical Enhancement Program (STEP) was launched under the CSR banner of HOPE. The initiative was launched in 2018 at Chakan, Pune in partnership with Don Bosco and riding on its success Schaeffler India launched second center at Chinchwad, Pune and then at Hosur with Skill Sonics in the year 2019. The objectives for these skilling centers are as following:

- To empower youth by imparting industry aligned skills in 2 trade domains
- To set up a sustainable skill development center model
- To develop a cadre of skilled workforce who can be readily employed across various industries and contribute in their productivity
- To develop economic empowerment across the Hosur region impacting the youth and their families
- To offer social good for the community residing in the region.

Key Achievements

STEP, Pune (Chakan & Chinchwad):

During 2018 at Chakan center, Schaeffler India has set up 3 technical labs viz. CNC Programming, CNC Simulation, Hydraulic and Pneumatic lab.

- Till date **142** students (**130 boys & 12 girls**) from the adjoining areas of Chakan have been trained on CNC course.
- Total 20 organisations in Chakan industrial belt has recruited, **134** students (**122 boys and 12 girls**) (which is a remarkable 94% placement)

Taking note from this successful venture with Chakan center, Schaeffler India inaugurated Autotronics Lab in their Chinchwad center in June 2019.

- Last year 19 students (17 boys and 2 girls) have been trained.

CSR Spent for 2020:

The Corona Pandemic hugely affected the CSR projects, due to prolonged lockdown and unavailability of manpower either to run the programmes or to reach out to beneficiaries.

However due to sustained monitoring and collaboration with the implementation partner we have been able to judiciously consume **97% of the allocated budget** as on **December 31, 2020**.

Total spend stands at **₹101.6 million**.

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 programme 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	7.4	7.6 0.2 7.8	49.5	Deepak Foundation
2	Lok Vidhyalaya: Construction of secondary School and providing holistic quality educational support	Education	Vadodara, Gujarat	6.3	5.2 0.2 5.4	106.5	Direct Implementation
3	Construction of Girls Hostel in Lok Vidhyalaya School	Education	Vadodara, Gujarat	-	-	16.2	Direct Implementation
4	Nitara project: Promoting livelihood for differently abled	Skill Training and Development	Vadodara, Gujarat	3.8	3.3 0.2 3.5	29.5	Sambhav Foundation
5	Quest on wheels: Heritage and Educational Trips	Art, Heritage and Culture	Vadodara, Gujarat	2.7	1.1 0.1 1.2	19.7	Creations
6	Construction of Boys Hostel	Education	Vadodara, Gujarat	15.0	22.2 0.4 22.6	29.7	Direct Implementation
7	Construction of Girls Hostel in Mook Dhvani School	Education	Vadodara, Gujarat	-	-	15.5	Direct Implementation
8	Infrastructure support to School in Koitewasti	Education	Pune, Maharashtra	-	-	2.1	Direct Implementation
9	Support to Mook Dhvani School	Special Education	Karelibaug, Vadodara, Gujarat	4.3	2.5 0.2 2.7	12.6	Direct Implementation
10	Clean & Green Maneja	Community Development	Vadodara, Gujarat	2.0	2.5 0.2 2.7	10.3	Direct Implementation
11	National University Students' Skill Development Programme (NUSSD)	Skill Training and Development	Vadodara, Gujarat	3.8	4.4 0.1 4.5	4.5	Tata Institute of Social Sciences
12	Jal Sahara	Rural Development	Pune, Maharashtra	8.1	8.1 0.4 8.5	11.2	BAIF
13	STEP Autotronic Center	Skill Training & Development	Pune, Maharashtra	10.9	11.0 0.3 11.3	28.4	Don Bosco

								(₹ 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 programme Sub-heads: 1. Direct Expenditure on Projects or Programmes 2. Overheads	Cumulative Expenditure upto the reporting period	Amount Spent: Direct or through implementing agency	
14	Animation and Networking courses for differently abled	Skill Training & Development	Vadodara, Gujarat	-	-	2.2	Arena Animation & CMS	
15	Mobile Health Unit	Health Care	Pune, Maharashtra	3.2	2.7 0.3 3.0	7.6	Deepak Foundation	
16	Jagriti Project	Health Care	Vadodara, Gujarat	0	0	1.7	Vatsalya Foundation	
17	Schaeffler Engineering Scholarship	Education	Gujarat, Maharashtra & Tamil Nadu	5.2	1.9 0.4 2.3	5.4	Buddy4study India Foundation	
18	Comprehensive Community Development	Education	Pune, Maharashtra	9.0	9.2 0.2 9.4	9.4	Deepak Foundation & Chirag Foundation	
19	Corporate Volunteering	Community Development	Pune, Maharashtra	1.0	0.5 0.3 0.8	0.8	Mitra Technology Foundation	
20	Mechatronics Skill Development Center	Skill Training & Development	Hosur, Tamil Nadu	8.1	3.6 0.2 3.8	29.0	Skill Sonics	
21	Support towards Corona pandemic		Gujarat, Maharashtra & Tamil Nadu	14.0	12.1 0.0 12.1	12.1	Direct Implementation	
22	Support towards Banaskantha Floods		Vadodara, Gujarat	-	-	2.8	Government of Gujarat	
23	Support towards Kerala Floods		Kerala	-	-	2.7	Government of Kerala	
24	Rainwater Harvesting project		Vadodara, Gujarat	-	-	2.4	Direct Implementation	
25	Sanitation Facility in Govt. School		Hosur, Tamil Nadu	-	-	3.8	Direct Implementation	
TOTAL				104.8	101.6	415.6		

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)

New Delhi: February 16, 2021

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		
		2020 (₹ in million)	
		Actual	Cumulative
	1. Purchase of Finished Goods	4,920.8	
	2. Purchase of Raw materials and Components and Spares	2,037.3	
	3. Fees for use of technology/trademark	743.3	
	4. Purchase of tangible assets	203.0	
	5. SAP, other IT systems and connectivity cost	334.1	
	6. Expat Cost	8.8	9,458.3
	7. Travelling, Training, Testing, Support Fee & Other Cost	43.2	
	8. Sale of Finished Goods	1,138.0	
	9. Service Income received	18.8	
	10. Reimbursement of Expenses	11.0	
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

New Delhi: February 16, 2021

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 2020 and percentage increase in remuneration of each director, Chief Executive Officer, Chief Financial Officer, Company Secretary in the financial year 2020.

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 2020
I Executive Directors				
1	Mr. Harsha Kadam	Managing Director & CEO	55.9	-
2	Mr. Satish Patel	Director – Finance & CFO	25.1	7.0
II Non-executive Directors				
3	Mr. Avinash Gandhi	Chairman & Independent	2.9	-
4	Mr. Klaus Rosenfeld	Non-independent	-	-
5	Mr. Jürgen Ziegler	Non-independent	1.9	-
6	Mr. Dharmesh Arora	Non-independent (effective October 1, 2019)	1.9	-
7	Mrs. Renu Challu	Independent	1.9	-
8	Mr. Amit Kalyani	Independent (effective February 11, 2020)	NA	-
9	Mr. Arvind Balaji	Independent (effective November 6, 2019)	NA	-
10	Ms. Eranti V. Sumithasri	Independent (effective July 15, 2020)	NA	-
11	Mr. Rakesh Jinsi	Independent (up to February 10, 2020)	1.9	-
12	Mr. R. Sampath Kumar	Non-independent (up to May 29, 2020)	1.9	-
III Key Managerial Personnel				
13	Mr. Ashish Tiwari	VP-Legal & Company Secretary (effective February 29, 2020)	13.4	-
14	Mr. Chirag K. Shukla	Company Secretary (up to February 28, 2020)	0.9	19.6

- The percentage increase in the median remuneration of employees in the financial year:
The median remuneration of employees of the Company was increased by 10% during 2020.
- The number of permanent employees on the rolls of Company as on December 31, 2020: 2,794
- 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: 6.7 compared to average percentile increase in Managerial Remuneration: 7.0

There are no exceptional circumstances for increase in Managerial Remuneration.

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 2020

Sr. No.	Name	Designation	Remuneration during the year 2020 [₹]	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	Hardevi Vazirani	Vice President	65,98,632	Regular	BCOM, DIP.CS, DBM	31	11.09.1992	52	Sigma Sys	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

New Delhi: February 16, 2021

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

(Annexure E to the Directors' Report)

With increasing focus on sustainable development goals, the Company has constantly focused 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 2020, with initiatives and right investments in advance technologies.

Small steps have been initiated to maintain & reduce 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 the Company, some examples are here from plants

- Third Party renewable Energy Power purchase as a Green Energy (Solar) with low cost started from March 2020 in terms of 600000kwh per month which will neutralise 492 tons of CO₂ Emission
- Day light harvesting with improved version provided at new central warehouse which will optimise w.r.t ambient light
- Shopfloors lighting systems are replaced with LED lightings for better efficiency and illumination
- Replacement of Compressed Air Panel AC with Water cooled Panel AC for better efficiency
- CFL normal light replace with LED light and done energy saving 15,550 KWH/year & improve lux level in Segment -3
- Central Coolant supply pump replaced with IE3 class Motor pump with VFD & Pressure Transducer in closed loop & DONE Energy Saving 275 MWH/year
- Thermography analysis is being conducted for early detection of potential problem in energised components
- Installation of new high efficiency HVAC system with climate control system and high efficiency water cooled chiller at New SMB area

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

- Hosur Plant purchased 5 MW Third Party solar power 600000kwh per month
- SOLAR roof panels installed for Savli plant, yet to start production
- Skylights on roof to use natural light of New roofs (Savli and Hosur)

3. The Capital investment on energy conservation equipment in the Company

- SIL Hosur installed 500 CFM Atlas Capco VFD based compressor constant outlet pressure with 60-90% will load according to the plant demand
- Installed HVLS (High Velocity Low Speed) Fan at Hall-2 Assembly line to eliminate the independent 10nos. of Man coolers
- Additional 6000 KVA transformer (3x2000) are installed for Capacity Enhancement

4. Environment Health & Safety

- Dust collector incorporated with automatic water sprinkler system at DISA Shot Peening machine, Q burst system also provided with the dust collector
- KUKA Robot with complete safety system installed at Truck Pressure Plate line to eliminate Ergonomic issues
- Complete Health monitoring Protocol system implemented to protect from COVID-19
- Fire Detection and Suppression system installed at LPG LOT storage, new central warehouse and at security building at Hall-1 of Hosur and in new hall of Savli (VSD camera, Beam Detection and sprinklers)
- Solar Snake Repellers installed at various location to prevent snake entry inside the plant
- Battery Sale discarded and Buy back initiated fetching @ 2.0 lakh to Schaeffler Maneja Plant
- Integrity test and Hydro tests done for Exssol D95 Underground Tank and DGBB62 Air Receiver
- Crisis management team formulated plant & region level
- Upgraded the fire pump room with new electrical pump
- New substance storage systems as per the group guideline at Savli plant
- New machines are equipped with the camera detection system and auto CO₂ flooding system in the plant
- Introduction of new STP of 80KL/Day
- Green belt development is being done continuously at plants to increase the biodiversity ratio
- The emission controls are done at plants with machines fixed with exhaust system air purifiers

B. Technology Absorption

1. The efforts made towards technology absorption

- Synchroniser ring line capacity enhancement – 2nd Grinding line
- Heavy duty rings production line
- Hydraulic lash adjuster and roller finger follower assembly automation
- New Technology and Capacity Expansion in plastic injection molding
- Jung surface grinder for Tool shop
- Face Grinding machine for SRB inner ring
- JR KM90 Honing Machine, DGBB140

- Grinding and Honing machines for cylindrical roller bearings
- Hard Turing machine for cylindrical roller bearings
- Cutting Machine for Quick centre
- Roller face grinder for tapered roller bearings
- Roller Hearth furnace
- Pittler hard turning machine for cylindrical, tapered and spherical roller bearings
- Cylindrical roller bearings line
- Robot Automation for Truck Pressure Plate line
- EK17 line for Cover Assembly
- Shot peening machine for car line

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	Whether technology is fully absorbed?	if not fully absorbed, areas where absorption has not taken place, and the reasons thereof
Face Grinding Machine	2019	Yes	
Centerless Grinding Machine	2018, 2019	Yes	
Honing Line for SRB E1 Rollers	2019	Yes	
Assembly lines for DGBB <90	2018	Yes	
Capacity Enhancement in Hydraulic Lash Adjustor	2019	Yes	
Capacity Enhancement in Roller Finger Follower	2019	Yes	
New Technology and Capacity Expansion in Plastic injection molding	2018, 2019, 2020	Yes	
Assembly lines for DGBB > 90	2017,2018	Yes	
Track grinding machines for DGBB/SRB/CRB	2017,2018	Yes	
Roller grinding line for TRB	2018	Yes	
Vertical honing machines for CRB	2018	Yes	
Investment Realisation in Mechanical Tappets	2018, 2019	Yes	
Capacity Expansion in Clutch release molding	2018	Yes	
Capacity Expansion in Pressure plate machining	2018	Yes	
Hwacheon	2019	Yes	
Fanuc Robo drill	2019	Yes	
EK17 line for passenger car clutches	2020	Yes	
Grinding and honing line for CRB 120	2020	Yes	
BU drawn cup assembly machine	2020	Yes	
RNN Line	2020	Yes	

The details of Expenditure incurred on Research and Development

Particulars	₹ in million)	
	2020	2019
Capital	34.3	28.5
Revenue	723.4	553.9
Total	757.7	582.4

4. Foreign Exchange Earnings and Outgo

Particulars	₹ in million)	
	2020	2019
Earning:		
Earning in foreign exchange		
Service Income	1.8	5.1
FOB value of exports	3,961.7	4,722.6
Other	54.5	38.3
Total foreign exchange earned	4,018.0	4,766.0
Outgo:		
CIF value of Imports:		
Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital goods and intangible assets	13,928.9	16,100.6
Expenditure in foreign currency		
Interest on foreign currency loans, Fees for use of technology/trademark	743.7	831.9
Dividend paid to Shareholders (net of tax)	811.0	695.2
Total foreign exchange used	15,483.6	17,627.7

For Schaeffler India Limited

Avinash Gandhi
Chairman
DIN: 00161107

New Delhi: February 16, 2021

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	100%

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, 2020, 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.

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/Fl	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-total (A)(1)	-	-	-	-	-	-	-	-	-

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) 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/Fl	-	-	-	-	-	-	-	-	-
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	4,248,653	-	4,248,653	13.59	3,852,256	-	3,852,256	12.32	(1.27)
b) Banks/Fl	1,575	360	1,935	0.01	135	350	485	0.00	(0.00)
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	645,539	50	645,589	2.07	715,201	50	715,251	2.29	0.22
g) Foreign Institutional Investors (FIIs)	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)									
Foreign Portfolio Investor	1,174,139	-	1,174,139	3.76	1,510,470	-	1,510,470	4.83	1.08
Unit Trust of India	-	-	-	-	-	-	-	-	-
Foreign Financial Institutions	-	100	100	0.00	-	-	-	-	(0.00)
Alternate Investment Funds	773	-	773	0.00	14,579	-	14,579	0.05	0.04
Sub-total (B)(1)	6,070,679	510	6,071,189	19.42	6,092,641	400	6,093,041	19.49	0.07
(2) Non-Institutions									
a) Bodies Corporate									
i) Indian	481,946	3,720	485,666	1.55	517,455	3,295	520,750	1.67	0.11
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	996,030	94,262	1,090,292	3.49	1,035,011	78,890	1,113,901	3.56	0.08
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	267,105	-	267,105	0.85	171,947	-	171,947	0.55	(0.30)
c) Others (specify)									
Trusts	275	-	275	0.00	907	-	907	0.00	0.00
Hindu Undivided Family	73,271	-	73,271	0.23	87,334	750	88,084	0.28	0.05
Non Resident Individuals (Repatriable)	30,861	-	30,861	0.10	24,134	-	24,134	0.08	(0.02)

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	FRANKLIN INDIA PRIMA FUND	At the beginning of the Year Jan 01, 2020		664,797	2.13		664,797	2.13
		7-Feb-20	Transfer			(2,619)	662,178	2.12
		31-Mar-20	Transfer			(706)	661,472	2.12
		3-Apr-20	Transfer			(102)	661,370	2.12
		24-Apr-20	Transfer			(31,554)	629,816	2.01
		22-May-20	Transfer			(29,545)	600,271	1.92
		29-May-20	Transfer			(24,738)	575,533	1.84
		5-Jun-20	Transfer			(736)	574,797	1.84
		17-Jul-20	Transfer			(15,988)	558,809	1.79
		24-Jul-20	Transfer			(9,012)	549,797	1.76
		11-Sep-20	Transfer			(7,408)	542,389	1.74
		18-Sep-20	Transfer			(42,145)	500,244	1.60
		25-Sep-20	Transfer			(20,162)	480,082	1.54
		9-Oct-20	Transfer			(80,285)	399,797	1.28
		20-Nov-20	Transfer			(50,000)	349,797	1.12
		27-Nov-20	Transfer			(15,206)	334,591	1.07
		4-Dec-20	Transfer			(22,651)	311,940	1.00
11-Dec-20	Transfer			(57,248)	254,692	0.81		
At the end of the year Dec 31, 2020						254,692	0.81	
9	INDIA MIDCAP (MAURITIUS) LTD.	At the beginning of the Year Jan 01, 2020					177,371	0.57
		At the end of the year Dec 31, 2020					177,371	0.57
10	THE NEW INDIA ASSURANCE COMPANY LIMITED	At the beginning of the Year Jan 01, 2020					169,944	0.54
		At the end of the year Dec 31, 2020					169,944	0.54

1 Shareholding details of top 10 Shareholders as on December 31, 2020, have been clubbed based on unique Permanent Account Number.

v) Shareholding of Directors and Key Managerial Personnel

SN	Shareholding of Directors and Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Increase/ Decrease in No. of Shares	Cumulative Shareholding during the year	
				No. of Shares	% of Total Shares of the Company		No. of Shares	% of Total Shares of the Company
DIRECTOR(S)								
1	Mrs. Renu Challu	At the beginning of the Year Jan 01, 2020		408	-			
		At the end of the year Dec 31, 2020		408	-		408	-
2	Ms. Eranti V. Sumithasri	At the beginning of the Year Jan 01, 2020		NA	-			
		At the end of the year Dec 31, 2020		10	-		10	-
DIRECTOR AND KEY MANAGERIAL PERSONNEL								
3	Mr. Harsha Kadam	At the beginning of the Year Jan 01, 2020		25	-	(25)		
		At the end of the year Dec 31, 2020		-	-		-	-

5. Indebtedness

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

(Amount in ₹)

Particulars	Indebtedness of the Company including interest outstanding/accrued but not due for payment			
	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Reduction	-	-	-	-
Net Change	-	-	-	-
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)	-	-	-	-

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. Harsha Kadam, Managing Director & CEO	Mr. Satish Patel, Director-Finance & CFO
1	Gross salary:		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	21,215,701	11,850,701
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	452,976	596,576
	(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	21,668,677	12,447,277
	Ceiling as per the Companies Act, 2013	₹ 401.3 million	

B. Remuneration to other Directors

Sr. No.	Particulars of Remuneration	Name of Directors							Total
		Mr. Avinash Gandhi	Mrs. Renu Challu	Mr. Arvind Balaji ¹	Mr. Amit Kalyani ²	Ms. Eranti V. Sumithasri ³	Dr. Sanak Mishra ⁴	Mr. Rakesh Jinsi ⁵	
1	Independent Directors								
	Fee for attending Board/Committee Meetings	390,000	420,000	420,000	450,000	210,000	NA	NA	1,890,000
	Commission	1,600,000	1,050,000	NA	NA	NA	1,050,000	1,050,000	4,750,000
	Others, please specify	-	-	-	-	-	-	-	-
	Total (1)	1,990,000	1,470,000	420,000	450,000	210,000	1,050,000	1,050,000	6,640,000
2	Other Non-executive Directors								
	Fee for attending Board/Committee Meetings	100,000	-	360,000	260,000	-	-	-	720,000
	Commission	1,050,000	-	1,050,000	262,500	-	-	-	2,362,500
	Others, please specify	-	-	-	-	-	-	-	-
	Total (2)	1,150,000	-	1,410,000	522,500	-	-	-	3,082,500
	Total (B) = (1) + (2)	3,140,000	1,470,000	1,830,000	972,500	210,000	1,050,000	1,050,000	9,722,500
	Total Managerial Remuneration								41,241,331
	Overall Ceiling as per the Companies Act, 2013								₹ 441.5 million

- 1 Mr. Arvind Balaji has been appointed as Independent Director effective November 6, 2019.
2 Mr. Amit Kalyani appointed as Independent Director effective February 11, 2020.
3 Ms. Eranti V. Sumithasri has been appointed as Independent Director effective July 15, 2020.
4 Mr. Sanak Mishra ceased to be a Director effective November 6, 2019.
5 Mr. Rakesh Jinsi ceased to be a Director effective February 11, 2020.
6 Mr. R Sampath Kumar ceased to be a Director effective May 30, 2020.
7 Mr. Klaus Rosenfeld has refunded the sitting fees and commission paid during FY20.

Notes:

- a) Managerial Remuneration includes Remuneration paid to Managing Director(s), Whole-time Director and 'Profit Related Commission' paid to other Directors during 2020.
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

Sr. No.	Particulars of Remuneration	(Amount in ₹)	
		Chirag Shukla, CS up to Feb 28, 2020	Ashish Tiwari, CS effective from Feb 29, 2020
1	Gross salary:		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	514,447	7,462,930
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	-	-
	(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	514,447	7,462,930

- 1 Mr. Chirag Shukla ceased to be the Company Secretary effective February 28, 2020.
2 Mr. Ashish Tiwari appointed as the Company Secretary effective February 29, 2020.

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			
		Punishment	Nil		
		Compounding			
B. DIRECTORS					
		Penalty			
		Punishment	Nil		
		Compounding			
C. OTHER OFFICERS IN DEFAULT					
		Penalty			
		Punishment	Nil		
		Compounding			

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

New Delhi: February 16, 2021

Corporate Governance Report

1. Company's Philosophy on Code of Corporate Governance

The Company is committed to maintain high standards of Corporate Governance and continues to practice the same 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.

The Company'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 achieve economic success and simultaneously act responsibly towards the environment, people and society. These principles are also articulated through the Company's Code of Conduct which is applicable to the Board, Senior Management and every single employee of the Company. Under its comprehensive Code of Conduct, the Company is committed to a culture of sustainability and views it as a prerequisite for the Company's long-term success. Good Governance practices stem from the dynamic culture and positive mindset of the organisation. This Corporate Governance Report sets out a description of Schaeffler India's Corporate Governance practices.

2. Board of Directors

Your Board of Directors closely monitor 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 and place high importance on the internal financial reporting. It shoulders the responsibility and holds

itself accountable to the Shareholders as well as other stakeholders for the long-term well-being of the Company.

(A) Composition of Board

- The Managing Director is entrusted with the Management of your Company. He is assisted by Core Management Team and Senior Executives comprising of expert from the respective fields.
- The 'Board of Directors' is constituted with appropriate combination of Executive Directors, Non-executive Directors, Independent Directors and Women Directors, as per the prevailing regulatory requirements. As on December 31, 2020 the Company had ten Directors, out of which eight Directors are Non-executive Directors and out of these eight, five are Independent Directors including two Women Directors.
- None of the Directors on the Board is a member of more than 10 committees or a Chairperson of more than 5 committees [as stipulated in Regulation 26(1) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 ('Listing Regulations') across all the Indian Public Companies, in which he/she is a Director. The annual disclosure providing the committee position and other Directorship has been made by the Directors.
- 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 have been 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 2020	Attendance at last AGM held on June 30, 2020
			As on December 31, 2020			Yes or No or NA ²
Mr. Avinash Gandhi	00161107	NE & ID	10	8(2)	4	Yes
Mr. Klaus Rosenfeld	07087975	NE & NID	1	0	4	Yes
Mr. Jürgen Ziegler	07092477	NE & NID	1	1(0)	4	Yes
Mr. Dharmesh Arora	05350121	NE & NID	1	0	4	Yes
Mrs. Renu Challu	00157204	NE & ID	3	5(3)	4	Yes
Mr. Arvind Balaji	00557711	NE & ID	11	1(0)	4	Yes
Mr. Amit Kalyani ³	00089430	NE & ID	10	2(0)	4	Yes
Ms. Eranti V. Sumithasri ⁴	07087197	NE & ID	3	2(0)	2	NA
Mr. Harsha Kadam	07736005	E & NID	1	1(0)	4	Yes
Mr. Satish Patel	00690869	E & NID	1	2(0)	4	Yes
Mr. Rakesh Jinsi ⁵	00182187	NE & ID	NA	NA	NA	NA
Mr. R. Sampath Kumar ⁶	00495192	NE & NID	NA	NA	2	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 Appointed as an Independent Director effective February 11, 2020.

4 Appointed as an Independent Director effective July 15, 2020.

5 Completed the term as an Independent Director on February 10, 2020 and ceased to be a Director effective February 11, 2020.

6 Ceased to be a Director effective May 30, 2020 on account of his growing professional commitments.

Details of Directorship in Listed Companies as on December 31, 2020

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. Klaus Rosenfeld	Schaeffler India Limited	NE & NID	
	Mr. Jürgen Ziegler	Schaeffler India Limited	NE & NID
	Mr. Dharmesh Arora	Schaeffler India Limited	NE & NID
Mrs. Renu Challu	Schaeffler India Limited	NE & ID	
	NCC Limited	NE & ID	
Mr. Arvind Balaji	Ceinsys Tech Limited	NE & ID	
	Schaeffler India Limited	NE & ID	
Mr. Amit Kalyani	India Nippon Electricals Limited	E & NID	
	Schaeffler India Limited	NE & ID	
	Bharat Forge Limited	E & NID	
	Kalyani Steels Limited	NE & NID	
	BF Utilities Limited	NE & NID	
	Kalyani Investment Company Limited	NE & NID	
	BF Investment Limited	NE & NID	
	Hikal Limited	NE & NID	
	Ms. Eranti V. Sumithasri	Schaeffler India Limited	NE & ID
Mr. Harsha Kadam	Schaeffler India Limited	E & NID	
Mr. Satish Patel	Schaeffler India Limited	E & NID	

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, Managing Director holds a Bachelor's degree in Mechanical Engineering from Bangalore University and also holds Diploma in Finance and Marketing from IGNOU. He has done Executive Development course in Marketing from IIM Bangalore and has a vast experience in various functions like Sales, Manufacturing and Product Design/Development.
- Mr. Satish Patel, Director – Finance & CFO is a member of The Institute of Cost Accountants of India and holds a Master's degree in Commerce. He has a vast experience in the field of Controlling and Finance Management.

(vi) Independent Directors:

- Mr. Avinash Gandhi holds a Bachelor's degree in Mechanical Engineering and has a vast experience in the Automobile Industry. He is the Chairman of the 'Board'.
- Mrs. Renu Challu, holds a Master's degree in Economics (Gold Medalist) from University of Lucknow and has a vast experience in Banking and Finance.
- Mr. Amit Kalyani holds a Bachelor's degree in Mechanical Engineering from Bucknell University, Pennsylvania, USA and also a Harvard Business School OPM graduate and a YPO member and has a vast experience in manufacturing and technology.
- 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 and has a vast experience in the investment banking, financing and M&A transactions.
- Ms. Eranti V. Sumithasri, holds Master's degree in Computer Science & Engineering from University of Connecticut, USA and Bachelor's degree in Computer Science from Visvesvaraya College of Engineering, India and has a vast experience in Business Leadership, Technology, Consulting and Financial Services industry.

(vii) Non-independent Directors:

- Mr. Klaus Rosenfeld studied Business Administration and Economics at the University of Muenster and has a vast experience in Banking and Finance.
- Mr. Jürgen Ziegler studied Business Administration at the AKAD University in Germany and has a vast experience in the fields of Sales, Logistics, Project Management, Strategic Planning.

- Mr. Dharmesh Arora holds Bachelor's degree in Mechanical Engineering from University of Mumbai and the TRIUM Global Executive MBA degree from NYU Stern School of Business; London School of Economics and HEC Paris. He has a vast experience in the Automotive Industry.

None of the Directors is related inter-se.

Directors' shareholding in the Company

Except Mrs. Renu Challu and Ms. Eranti V. Sumithasri, who holds 408 Equity Shares and 10 Equity Shares of the Company respectively, none of the Directors hold any Equity Share of the Company as on December 31, 2020.

(B) Board Meeting(s) during 2020

Four Board Meetings were held during 2020 on the following dates:

Board Meeting(s)	I	II	III	IV
Dates	February 12	May 13	July 24	October 28
Start Timing	02:00 PM	02:15 PM	02:30 PM	01:00 PM
Venue/ Deemed venue	Pune	Virtual (New Delhi)		

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 scheduled in advance 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 supported by comprehensive background information which enable the Board to take informed 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. During the reporting year, the Managing Director also briefed the Board on COVID-19, employee health & safety and the Schaeffler India footprint.

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

- Annual operating plans, budgets and any updates;
- Capital budgets and any updates;
- Quarterly results of the Company and its operating divisions or business segments;
- Minutes of meetings of Audit Committee & other committees of the Board of Directors;

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

(D) Code of Conduct

The Company has laid down a Code of Conduct, for all its Board Members and Senior Management Personnel for avoidance of conflicts of interest. The declarations with regards to its compliance have been received for the year 2020 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 programs 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 programs and workshops which give them insights to the Company, including nature of Industry in which the Company operates, business model of the Company, relevant information of 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 programs, trainings and workshops were conducted for all Directors during the year 2020:

Sr. No.	Particulars	No. of Hours (approx.)	Faculty/Trainer/Speaker	Participants
1	Talegaon plant visit	4	Senior members of the Company	Mr. Avinash Gandhi
2	Interaction with Executive Leadership Team members for Business/Industry updates	4.5	Executive Leadership Team members and Company Secretary	Ms. E.V. Sumithasri
3	Strategy Meeting	6	Executive Leadership Team including CEO & CFO	All the Directors
4	COVID-19 updates and measures taken	2	CEO	All the Directors
5	Review of Financial and Operational Performance of the Company during the Meetings of Board and Committees thereof	10	CEO & CFO	All the Directors
6	Review of internal controls, key findings, key counter measures	2	Internal Auditor	All the Directors

The details of such programs 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) Meeting of Independent Directors

As per Regulation 25 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and under the provisions of the Companies Act, 2013, a separate Meeting of the Independent Directors was held on October 27, 2020 inter alia, to review the performance of Non-independent Directors, Chairman, Managing Director and the Board as a whole and to assess quality, quantity and timeliness of flow of information between Management and the Board for ensuring effective participation by the Board Members. Mr. Avinash Gandhi, Mrs. Renu Challu, Mr. Arvind Balaji, Mr. Amit Kalyani and Ms. Eranti V. Sumithasri, Independent Directors were present at the Meeting.

(G) 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 possess such skills/expertise/competencies:

Core Skills/Expertise/ Competence	Name of Directors									
	Mr. Avinash Gandhi	Mr. Dharmesh Arora	Mr. Harsha Kadam	Mr. Satish Patel	Mr. Klaus Rosenfeld	Mr. Jürgen Ziegler	Ms. Eranti V. Sumithasri	Mr. Arvind Balaji	Mrs. Renu Challu	Mr. Amit Kalyani
Business Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Strategic Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Engineering and Technology	✓	✓	✓	-	-	-	✓	✓	-	✓
Finance Management	✓	✓	✓	✓	✓	✓	-	✓	✓	✓
Governance & Board Dynamics	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

(H) 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.

(I) Digital Performance Management & Succession Planning

The Company recognizes the importance of Succession Planning for senior and critical roles. The Succession Plan for each leader is planned thoughtfully, keeping in mind short term & long term risks. A bench-strength analysis is done every year, based on the Talent Management guidelines. The Company is adopting a globally standardized SAP based Success Factors software as a futuristic Performance Management System. The Company has well established leadership platforms, such as the 'Young Leadership Program' for emerging leaders and 'Accelerated Leadership' for developing a talent pipeline. The Company has a foundation of Talent Mobility to groom high-potential leaders across different Schaeffler plant locations.

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 to connect 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	Member	Non-executive & Independent
4	Mr. Amit Kalyani ¹	Member	Non-executive & Independent
5	Ms. Eranti V. Sumithasri ²	Member	Non-executive & Independent
6	Mr. Jürgen Ziegler	Member	Non-executive & Non-independent
7	Mr. Satish Patel	Member	Executive & Non-independent

¹ Mr. Amit Kalyani has been appointed as member of the Audit Committee effective February 11, 2020.

² Ms. Eranti V. Sumithasri has been appointed as member of the Audit Committee effective July 15, 2020.

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 2020 are as follows:

Audit Committee Meeting(s)	I	II	III	IV
Dates	February 12	May 13	July 24	October 28
Start Timing	11:00 AM	01:30 PM	11:40 AM	11:00 AM
Venue/ Deemed venue	Pune	Virtual (Mumbai)		
Attended by	All the members			

The Audit Committee invites such Executives as it considers appropriate to be present at the meeting including the representative of Statutory Auditors, 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 57th Annual General Meeting held on June 30, 2020.

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/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 to as 'NRC') is duly constituted.

(A) Composition of NRC

The members of the NRC 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. Amit Kalyani ¹	Member	Non-executive & Independent
4	Mr. Dharmesh Arora	Member	Non-executive & Non-independent

1 Mr. Amit Kalyani has been appointed as member of the NRC effective February 11, 2020.

(B) Meetings of NRC

During the year 2020, one meeting of NRC was held on February 12, 2020 at Pune, India and it was attended by all the members.

(C) Terms of Reference of NRC

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) Attending the meetings, (ii) Preparedness and active participation in meetings, (iii) Staying updated on developments, (iv) Constructive contribution made in the meetings, (v) Being objective and protecting interest of all shareholders, (vi) Engaging as well as 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 and Director-Finance) 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 2020, 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 reflects ability of the company to convert it operating performance to cash inflow to meet operational needs and capex for future growth.

Schaeffler Value Added (SVA):

- RoCE is a value-based performance indicator to reflect how efficiently the company 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.

The details of remuneration paid for 2020 to the Managing Director and Director – Finance & CFO are as follows:

Name	Salary & Performance Bonus			Allowance & Perquisites		Company's contribution to funds		Total	
Mr. Harsha Kadam, Managing Director	16.3	4.9	1.3						22.5
Mr. Satish Patel, Director – Finance & CFO	6.6	5.3	1.2						13.1

Notes:

- a) Company's contributions to fund include Superannuation Fund and Provident Fund and exclude the accruals for gratuity as it is funded on the basis of an actuarial valuation for the Company as a whole.
- b) The Company has entered into Employment Agreement with Executive Directors.
- c) 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 have been explained in this Report.
- d) As per employment agreement, either party can terminate agreement by giving six months' notice in writing. There is no provision for severance fees.
- e) The Company has no Stock Option Scheme as on December 31, 2020.

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, 2020.

(B) 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.

In view of 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, had 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. The shareholders approved the payment of sitting fees and profit related commission to be paid to the Non-executive Directors and the payments have been made thereto.

The details of sitting fees for attending Board/Committee Meetings held during the year 2020 and profit related commission for the year 2019 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	4	-	1	-	-	390,000	1,600,000
Mrs. Renu Challu	4	4	1	1	-	-	420,000	1,050,000
Mr. Arvind Balaji ¹	4	4	-	-	2	-	420,000	NA
Mr. Amit Kalyani ²	4	4	-	1	2	-	450,000	NA
Ms. Eranti V. Sumithasri ³	2	2	-	-	-	1	210,000	NA
Mr. Sanak Mishra ⁴	-	-	-	-	-	-	-	1,050,000
Mr. Rakesh Jinsi ⁴	-	-	-	-	-	-	-	1,050,000
Mr. R. Sampath Kumar	2	-	-	-	-	-	100,000	1,050,000
Mr. Jürgen Ziegler ⁵	4	4	-	-	-	-	360,000	1,050,000
Mr. Dharmesh Arora ⁵	4	-	-	1	-	1	260,000	262500
Mr. Klaus Rosenfeld ⁶	4	-	-	-	-	-	-	-
Total							2,810,000	8,162,500

1 Mr. Arvind Balaji appointed as an Independent Director and member of the Committees effective November 6, 2019 and commission for 2019 is not applicable (NA).

2 Mr. Amit Kalyani appointed as an Independent Director and member of the Committees effective February 11, 2020 and commission for 2019 is not applicable (NA).

3 Ms. Eranti V. Sumithasri appointed as an Independent Director and member of the Committees effective July 15, 2020 and commission for 2019 is not applicable (NA).

4 Mr. Sanak Mishra and Mr. Rakesh Jinsi ceased to be Directors effective November 5, 2019 and February 10, 2020 respectively.

5 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.

6 Mr. Klaus Rosenfeld has decided not to accept sitting fees and commission and returned the sitting fees and commission paid during FY20.

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.

During the year, there were no transactions entered with the Non-executive Directors or their relatives.

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' ('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	Member	Executive & Non-independent
3	Mr. Harsha Kadam	Member	Executive & Non-independent

(B) Meetings of SRC & Attendance of Members

The Committee meets to deal with matters relating to redressal of complaints from shareholders regarding transfers, non-receipt of Annual Report, non-receipt of declared dividends etc. and to review effectiveness of Investors' Relations system of the Company.

During the year 2020, one meeting of SRC was held on July 24, 2020 through virtual means (deemed venue-Mumbai) and it was attended by all the members.

The Chairperson of the SRC, Mrs. Renu Challu, attended the 57th Annual General Meeting held on June 30, 2020.

Mr. Ashish Tiwari, VP-Legal & Company Secretary is the Compliance Officer of the Company effective February 29, 2020. Mr. Chirag K. Shukla was the Compliance Officer of the Company till February 28, 2020.

During 2020, total of 2 (two) complaints were received. All complaints received during the year 2020 were attended to and resolved satisfactorily. There was no complaint pending as on December 31, 2020.

(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' ('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	Chairperson	Non-executive & Independent
2	Mr. Harsha Kadam	Member	Executive & Non-independent
3	Mr. Amit Kalyani ¹	Member	Non-executive & Independent

¹ Mr. Amit Kalyani has been appointed as member of the CSR Committee effective February 11, 2020.

(B) Meetings of CSR Committee & Attendance of Members

During the year 2020, two meetings of CSR Committee were held, details of which are as follows:

CSR Committee Meeting(s)	I	II
Dates	February 12	October 28
Start Timing	09:45 AM	08:30 AM
Venue/Deemed venue	Pune	Virtual (Chennai)
Attended by	All the members	

(C) Terms of Reference of CSR

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

1. To formulate and recommend to the Board a CSR Policy which will define the focus areas and indicate the activities to be undertaken by the Company under CSR domain
2. To recommend to the Board necessary amendments, if any, in the CSR Policy from time to time
3. To formulate the Annual Action Plan, monitor the budget under the CSR activities of the Company and
4. To accomplish various CSR projects of the Company independently or through intermediary agencies, as the case may be.

8. Risk Management Committee

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

(A) Composition of RMC

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

¹ Ms. Eranti V. Sumithasri appointed as a member of the Committee effective July 15, 2020.

(B) Meetings of RMC & Attendance of Members

During the year 2020, one meeting of RMC was held on October 28, 2020 through virtual means (deemed venue-Singapore) and it 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:

1. 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;
2. 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		
	57th AGM	56th AGM	55th AGM
Date	June 30, 2020	April 30, 2019	April 17, 2018
Start Timing	3:30 PM	3:00 PM	3:00 PM
Venue	Video Conferencing/ Audio Visual means	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.
RESOLUTIONS PASSED			
Ordinary Business:			
Adoption of Accounts as at	December 31, 2019	December 31, 2018	December 31, 2017
Declaration of Dividend	Dividend of ₹ 35 per equity share of ₹ 10 each	Regular Dividend of ₹ 20 and Special onetime Dividend of ₹ 10 per equity share of ₹ 10 each	₹ 17 per equity share of ₹ 10 each
Re-appointment of Rotational Directors	Mr. Jürgen Ziegler Mr. Klaus Rosenfeld	Mr. Klaus Rosenfeld	-
Ratification of Appointment of Auditors and/or authorization to fix their remuneration	Appointment and authorization to fix their remuneration	Authorization to fix their remuneration	Ratification of Appointment and to fix their remuneration
B S R & Co. LLP, Chartered Accountants, Mumbai			
Special Business:			
Appointment of Directors	Mr. Harsha Kadam as Director Mr. Harsha Kadam as Managing Director Mr. Arvind Balaji as Director Mr. Amit Kalyani as Director	Mr. Jürgen Ziegler as a Director Mr. Satish Patel as a Director Mr. Satish Patel as a Whole-Time Director, designated as Director-Finance	Mr. Marcus Eisenhuth as a Director Mr. Avinash Gandhi as an Independent Director -
Approval on	Payment of commission for the year 2019 to Non-executive Directors of the Company, who are in employment of any Schaeffler Group Company Remuneration to Non-executive Directors for the year 2020 onwards - Ratification of Remuneration to the Cost Auditors	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

Postal Ballot

During the year 2020, no postal ballot activities were conducted by the Company.

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 with 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 with 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) 58th Annual General Meeting is scheduled to be held:**

On : Tuesday, the 27th day of April 2021
At : 3:30 PM
Mode : Video Conferencing/Audio visual means

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 2021 would be carried out within time limit, as per prevailing regulatory requirements.

iii) Record Date for Dividend/Cut-off date for voting:
Tuesday, April 20, 2021**iv) Date of Book Closure:** Wednesday, April 21, 2021 to Tuesday, April 27, 2021 (Both days inclusive)**v) Dividend**

The Dividend for the year 2020 if declared at the 58th Annual General Meeting scheduled to be held on Tuesday, April 27, 2021, shall be paid within the time limit prescribed in the Companies Act, 2013.

vi) 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

The requisite listing fees have been paid to the Stock Exchanges up to March 31, 2021.

vii) Custodial Fee to Depositories

The Company has paid Annual Custodial Fees for the year 2020 – 2021 to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

viii) 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

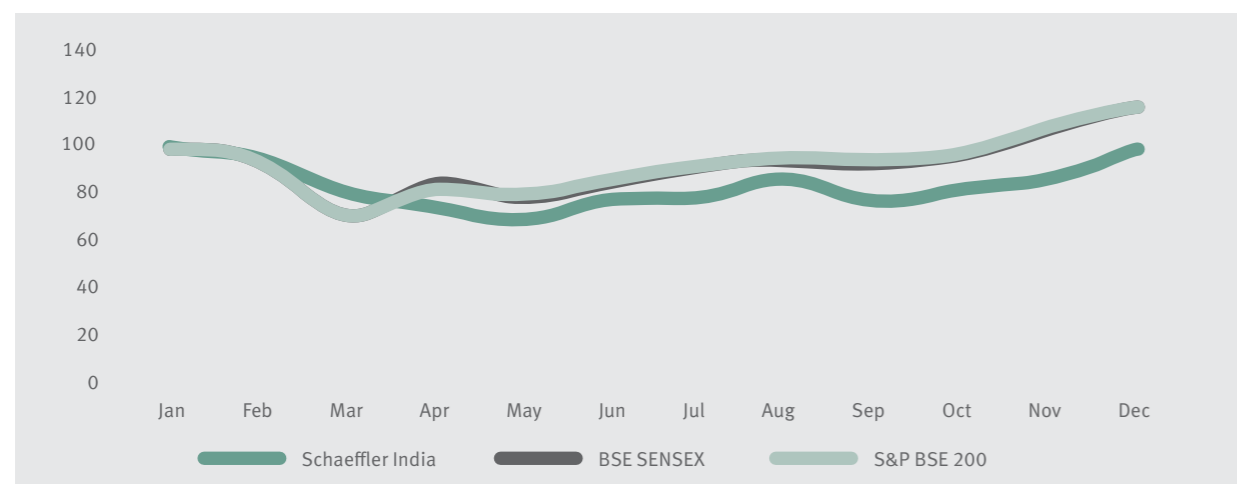
ix) Market Price Data

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

For the year 2020	Equity Shares			
	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
January	4,751.60	4,465.00	4,779.00	4,454.05
February	4,950.00	4,300.00	4,959.85	4,270.00
March	4,896.00	3,206.00	4,499.50	3,311.50
April	3,705.00	3,270.80	3,775.00	3,280.25
May	3,445.75	3,044.10	3,446.00	3,025.25
June	3,760.00	3,175.75	3,800.00	3,181.65
July	3,771.05	3,437.00	3,782.70	3,425.50
August	4,255.00	3,452.75	4,160.00	3,464.05
September	4,230.00	3,450.00	4,239.00	3,514.00
October	3,905.00	3,450.00	4,100.00	3,443.30
November	4,042.45	3,600.00	4,040.00	3,611.55
December	4,746.55	3,816.05	4,750.00	3,870.00

x) Stock Performance

The performance of the Company's shares relative to the BSE SENSEX and BSE SENSEX 200 for the year 2020 is given below:

Schaeffler India versus BSE SENSEX and BSE SENSEX 200 (January-December 2020)**xi) Registrar and Share Transfer Agent [RTA]**

The details are as under:

Name	: Link Intime India Private Limited
Address	: B-102 & 103, Shangrila Complex, 1 st Floor, Opp. HDFC Bank Near. Radhakrishna Char Rasta, Akota, Vadodara (Gujarat) - 390 020 INDIA
Phone No.	: +91 265 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.

xii) Share Transfer System

SEBI has mandated that no share can be transferred in physical mode effective April 1, 2019. Hence, the

Company has stopped accepting any fresh lodgement of transfer of shares in physical form.

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.

The Company had sent communication to the shareholders encouraging them to dematerialise their holding in the Company. Shareholders holding equity shares in physical form are urged to have their shares dematerialized so as to be able to freely transfer them and participate in various corporate actions.

Trading in equity shares of the Company is permitted only in dematerialised form.

With an intention to expedite the process of share 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 with regards to approval for issue of duplicate share certificates in lieu of lost/misplaced certificates, in favour of Stakeholders' Relationship Committee.

During the year, the Company had obtained, on half-yearly basis, a certificate, from a Company Secretary in Practice, certifying that no share certificate transfer request has been processed in view of restriction on processing transfer in physical mode pursuant to clause 40(1) of the Listing Regulations. 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.

xiii) Information of Dividend

The unclaimed or unpaid amount of dividend declared for the financial year ended on December 31, 2013 is due for transfer to "Investor Education and Protection Fund (IEPF)" on May 26, 2021.

Entitled Members are requested to lodge their claims before the last date for claiming unpaid/unclaimed dividend as shown in the table below for the dividend in respective years.

Details of unclaimed and unpaid dividend			
Dividend for year ended	Date of declaration of dividend	Amount due for transfer to IEPF on	Amount lying unpaid (₹) as on 31.12.2020
31.12.2013	24.04.2014	26.05.2021	533,058.00
31.12.2014	24.04.2015	31.05.2022	612,712.50
31.12.2015	27.04.2016	30.05.2023	836,030.00
31.12.2016	21.04.2017	28.05.2024	967,524.50
31.12.2017	17.04.2018	24.05.2025	1,385,126.45
31.12.2018	30.04.2019	06.06.2026	1,628,430.27
31.12.2019	30.06.2020	30.07.2027	1,610,484.82
Total amount lying unpaid as on December 31, 2020			7,573,366.54

xiv) Distribution of shareholding

As on >	December 31, 2020			December 31, 2019		
	Distribution of Shareholding	No. of shareholders ¹	No. of shares held	% to Total shares	No. of shareholders ¹	No. of shares held
1 - 500	15,774	627,286	2.01	20,426	662,980	2.12
501 - 1,000	268	197,688	0.63	283	211,725	0.68
1,001 - 2,000	118	171,183	0.55	119	171,674	0.55
2,001 - 3,000	44	106,130	0.34	41	98,054	0.31
3,001 - 4,000	16	57,229	0.18	17	58,755	0.19
4,001 - 5,000	15	67,577	0.21	20	89,796	0.29
5,001 - 10,000	29	200,676	0.64	35	245,721	0.79
10,001 - above	89	29,832,965	95.44	85	29,722,029	95.07
Total	16,353	31,260,734	100.00	21,026	31,260,734	100.00

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

xv) Category wise summary of Shareholding [As on December 31, 2020]

Sr. No.	CATEGORY	No. of shareholders ¹	No. of shares	%
1	Promoters (Foreign entities)	4	23,172,647	74.13
2	Mutual Fund	18	3,852,256	12.32
3	Foreign Portfolio Investor (Corporate)	91	1,510,470	4.83
4	Public	14,236	1,285,848	4.11
5	Other Bodies Corporate	270	520,750	1.67
6	Others	1,296	918,763	2.94
Total		15,915	31,260,734	100.00

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

xvi) Dematerialisation of Shares and liquidity

99.73% 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, 2020.

	NSDL	CDSL	Physical	Total
Shares (nos.)	30,846,204	331,195	83,335	31,260,734
Shares (%)	98.67	1.06	0.27	100.00

xvii) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:
NIL**xviii) Commodity Price Risks or Foreign Exchange Risks and Hedging Activities:**

The Company has adequate risk assessment and minimization system in place 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.

xix) Plant Locations

The manufacturing activities are being carried out from the plants located at Vadodara, Savli, Pune and Hosur.

xx) Address for correspondence

Shareholders/Beneficial owners are requested to correspond with the Company's RTA as shown in Para (xi) above with respect to any query, request, information or clarification pertaining to shares and are further advised to quote their folio number, DP & Client ID number as the case may be, in all correspondence with the RTA. Additionally, shareholders may correspond with the Company 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

xxi) 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

- i) The Board has received disclosures from the Senior Management relating to material, financial and commercial transactions, where they and/or their relatives have personal interest. There are no materially significant related party transactions of the Company, which have potential conflict with the interest of the Company at large; however, transactions with related parties as per requirements of applicable Accounting Standard are disclosed under notes to accounts.
- ii) All transactions with related party, as defined under the Companies Act, 2013, the Listing Regulations, during the year were in ordinary course of business and at arm's length basis and do not attract provisions of Section 188 of the Companies Act, 2013. The Board has approved a policy on dealing with related party transactions, and the same has been uploaded on the Company's website 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
- iii) The Company has established Vigil Mechanism to provide for safeguarding 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 and is available 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/vigil_mechanism_or_whistle_blower_policy_schaeffler_india_2019.pdf
As per the Policy, no personnel are denied access to the Audit Committee.
- iv) There have been no instances of 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 other 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 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/dividend_distribution_policy_schaeffler_india.pdf
 - x) Disclosures required under the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013: In 2020, one complaint was filed and the same was resolved. There were no pending complaints at the end of the year.
 - 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 integral part of the Annual Report.
 - xiii) A Certificate required from a practicing Company Secretary with regards 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.
 - xiv) Details of utilization 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
Number of shareholders whose shares were transferred to the Investor Education and Protection Fund	9	595
Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year	31	2,785

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, 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 2020 with unmodified opinion(s).

C) Reporting of Internal Auditor

The Head of Internal Audit reports to the Chairman of the Audit Committee.

For and on behalf of the Board

Avinash Gandhi
Chairman
DIN: 00161107

New Delhi: February 16, 2021

To,
The Members of Schaeffler India Limited

Re.: Declaration by CEO

I, HARSHA KADAM, Managing Director of Schaeffler India Limited, hereby declare that to the best of my knowledge and belief, all members of the Board of Directors and Senior Management Personnel have confirmed compliance with Company's Code of Conduct for the year ended on December 31, 2020.

New Delhi: February 16, 2021

Harsha Kadam
Managing Director
DIN: 07736005

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 of 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,
- 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.

Corporate Governance Certificate

For the Financial Year ended December 31, 2020

[Pursuant to Schedule V – Part E of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015]

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, 2020 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Regulations.

We state that in respect of investor grievances received during the year ended December 31, 2020, no investor grievance is pending against the Company, as per the records maintained by the Company and presented to the Stakeholders Relationship Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Suresh Kumar Kabra

Partner

Samdani Kabra & Asso.

Company Secretaries

ACS No. 9711; CP No. 9927

UDIN: A009711B002987312

Date: February 16, 2021

Place: Vadodara

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, 2020, 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.	Ms. Renu Challu	00157204	6 Nov 2014
8.	Mr. Satish Patel	00690869	13 Feb 2019
9.	Mr. Amit Kalyani	00089430	11 Feb 2020
10.	Eranti V. Sumithasri	07087197	15 July 2020

During the period under review, Dr. Sampath Kumar Raman (DIN: 00495192) has resigned and Mr. Rakesh Jinsi (DIN: 00182187) has retired upon completion of term as an Independent Director from the Board of the Company with effect from May 30, 2020 and February 11, 2020 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.

Suresh Kumar Kabra

Partner

Samdani Kabra & Asso.

Company Secretaries

ACS No. 9711; CP No. 9927

UDIN: A009711B002986498

Date: February 16, 2021

Place: Vadodara

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, 2020, 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, 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

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.

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 judgments 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 judgment 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 and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors 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

1. 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.
- (A) As required by Section 143(3) of the Act, we report that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) 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;
 - d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under section 133 of the Act;

- e) On the basis of the written representations received from the directors as on December 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act; and
 - f) 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".
- (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:
- i. The Company has disclosed the impact of pending litigations as at December 31, 2020 on its financial position in its financial statements - Refer Note 35 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund ("IEPF") by the Company; 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, 2020.

- (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 Number:
101248W/W-100022

Nirav Patel
Partner
Membership No. 113327
UDIN: 21113327AAAAAH7057

Place: Mumbai
Date: February 16, 2021

Annexure 'A' to the Independent Auditors' Report

December 31, 2020

(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 in 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 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, the Company has not given any loan, made any investment, given any guarantee,

or provided any security under Section 185 and 186 of the Act. Accordingly, paragraph 3 (iv) of the Order is not applicable to 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, 2020 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.

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, 2020 for a period of more than six months from the date they became payable. Pending clarity on the matter as explained in Note 42 to the financial statements, the Company is currently unable to determine the extent of arrears of such provident fund as at December 31, 2020 outstanding for a period of more than six months from the date they become payable.

- (b) 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 (A), Pune
		12.6	2008-09	Sales Tax Tribunal, Ahmedabad
		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 and Interest and penalty	18.0	2008-09 to 2012-13	Petition with Bombay HC
		13.6	April 2013 to Dec 2014	
		9.7	2008-09 to 2013-14	Customs, Excise and Service Tax Appellate Tribunal, Ahmedabad (CESTAT)
		3.3	Sep 2015 to June 2017	
		2.7	Feb 2016 to June 2017	Customs, Excise and Service Tax Appellate Tribunal, Mumbai (CESTAT)
The Central Excise Act, 1944	Duty, Interest and Penalty	11.6	2009-10 to June 2011	Customs, Excise and Service Tax Appellate Tribunal, Mumbai (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	
		115.5	September 2010 to March 2012	Customs, Excise and Service Tax Appellate Tribunal, Chennai (CESTAT)
		37.5	April 2012 and May 2012	Customs, Excise and Service Tax Appellate Tribunal, Chennai (CESTAT)
				Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Tax and interest	0.4	2004-05	
		27.6	2009-10	
		3.3	2011-12	
		14.4	2012-13	
		17.6	2013-14	
		21.4	2015-16	
		13.8	2016-17	

Above amounts are net of amounts paid under protest for sales-tax aggregating to ₹ 21.6 million, Excise Duty aggregating to ₹ 13.8 million, Service tax aggregating to ₹ 4.2 million and for Income-tax aggregating to ₹ 541.3 million.

- (viii) In our opinion and according to the information and explanations given to us, the Company does not have any loans or borrowing from financial institutions or banks or Government or dues to debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable to the Company.

- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer/further public offer/debt instruments and term loans. Accordingly, paragraph 3(ix) of the Order is not applicable to the Company.

- (x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.

- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.

- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi

Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.

- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with Section 177 and Section 188 of the Companies Act, 2013 where applicable and details of such transactions have been disclosed in the notes to the Ind AS financial statements, as required by the applicable accounting standards.

- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.

- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them, as referred to in Section 192 of the Companies Act, 2013. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.

- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

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

Nirav Patel
Partner

Membership No. 113327
UDIN: 21113327AAAAAH7057

Place: Mumbai
Date: February 16, 2021

Annexure ‘B’ to the Independent Auditors’ report

December 31, 2020

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, 2020 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, 2020, 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.

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.

Place: Mumbai
Date: February 16, 2021

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

Nirav Patel
Partner
Membership No. 113327
UDIN: 21113327AAAAAH7057

Balance Sheet

as at December 31, 2020

Particular	Notes	(₹ in million)	
		2020	2019
A) ASSETS			
1 Non-current assets			
a) Property, plant and equipment	3.1	9,258.6	8,943.4
b) Right of use assets	3.2	798.3	-
c) Capital work-in-progress	3.3	1,604.1	1,662.5
d) Other intangible assets	3.4	1.5	2.5
e) Financial assets			
(i) Loans	4	96.3	95.3
(ii) Other financial assets	4	763.5	1,391.4
f) Deferred tax assets (net)	5	363.2	235.0
g) Non-current tax assets (net)	6	1,002.9	814.8
h) Other non-current assets	7	481.4	660.5
Total non-current assets		14,369.8	13,805.4
2 Current assets			
a) Inventories	8	7,136.3	7,204.9
b) Financial assets			
(i) Trade receivables	9	6,917.2	6,319.4
(ii) Cash and cash equivalents	10	2,108.0	1,159.1
(iii) Bank balances other than (ii) above	11	10,351.0	7,194.5
(iv) Loans	12	49.9	78.4
(v) Other financial assets	13	173.9	244.2
c) Other current assets	14	408.2	446.4
Total current assets		27,144.5	22,646.9
TOTAL ASSETS		41,514.3	36,452.3
B) EQUITY & LIABILITIES			
1 Equity			
a) Equity share capital	15	312.6	312.6
b) Other equity	16	31,090.3	29,309.0
Total Equity		31,402.9	29,621.6
Liabilities			
2 Non-current liabilities			
a) Financial liabilities			
(i) Lease liabilities	17 a)	566.2	-
(ii) Other financial liabilities	18	23.5	33.5
b) Provisions	19	402.9	421.4
Total non-current liabilities		992.6	454.9
3 Current liabilities			
a) Financial liabilities			
(i) Lease liabilities	17 b)	84.7	-
(ii) Trade payables	20		
a) Total outstanding dues of micro enterprises and small enterprises		50.3	18.9
b) Total outstanding dues of creditors other than micro enterprises and small enterprises		7,636.3	4,972.6
(iii) Other financial liabilities	21	979.9	1,035.3
b) Other current liabilities	22	98.8	133.2
c) Provisions	23	256.3	186.2
d) Current tax liabilities (net)		12.5	29.6
Total current liabilities		9,118.8	6,375.8
Total liabilities		10,111.4	6,830.7
TOTAL EQUITY AND LIABILITIES		41,514.3	36,452.3
Significant accounting policies	2		
Notes to the financial statements	3 - 51		

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

Ashish Tiwari
 VP - Legal & Company Secretary

Place: Mumbai
 Date: February 16, 2021

Place: New Delhi
 Date: February 16, 2021

Statement of Profit and Loss

for the year ended December 31, 2020

	Notes	(₹ in million)	
		2020	2019
INCOME			
Revenue from operations	24	37,618.4	43,606.3
Other income	25	603.0	632.1
Total Income (I)		38,221.4	44,238.4
EXPENSES			
Cost of materials consumed	26	13,896.4	17,307.5
Purchases of stock-in-trade	27	8,912.3	10,030.1
Changes in inventories of finished goods, stock-in-trade and work-in-progress	28	522.7	158.3
Employee benefits expense	29	3,535.5	3,451.7
Finance costs	30	52.4	34.7
Depreciation and amortisation expense	31	1,939.7	1,587.1
Other expenses	32	5,390.3	6,322.8
Total Expenses (II)		34,249.3	38,892.2
Profit before exceptional items and tax (I - II)		3,972.1	5,346.2
Exceptional items (refer Note 47)		-	3.4
Profit before tax		3,972.1	5,342.8
Tax expense	33		
Current tax		1,144.4	1,554.6
Deferred tax charge/(credit)		(116.7)	71.8
Tax in respect of prior years		34.7	40.0
Profit for the year	(A)	2,909.7	3,676.4
Other Comprehensive Income			
(i) Items that will not be reclassified subsequently to profit or loss:			
loss on remeasurement of post employment benefits obligation		(45.8)	(42.8)
Tax relating to items that will not be reclassified to profit or loss		11.5	8.3
(ii) Items that will be reclassified subsequently to profit or loss:			
Effective portion of gain on hedging instruments in cash flow hedge		-	75.5
Tax relating to items that will be reclassified to profit or loss		-	(26.4)
Total Other Comprehensive Income for the year (net of tax)	(B)	(34.3)	14.6
Total Comprehensive income for the year	(A + B)	2,875.4	3,691.0
Earnings per equity share [Nominal value of share ₹10 each]	34		
Basic (in ₹)		93.1	117.6
Diluted (in ₹)		93.1	117.6
Significant accounting policies	2		
Notes to the financial statements	3 - 51		

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

Ashish Tiwari
 VP - Legal & Company Secretary

Place: Mumbai
 Date: February 16, 2021

Place: New Delhi
 Date: February 16, 2021

Cash Flow Statement

for the year ended December 31, 2020

	(₹ in million)	
	2020	2019
Cash flows from operating activities		
Net profit before tax	3,972.1	5,342.8
Adjustments:		
Depreciation and amortisation	1,939.7	1,587.1
Finance costs	52.4	34.7
Interest income	(562.9)	(507.2)
(Profit) on sale of assets (net)	(0.1)	(1.4)
Unrealised exchange loss/(gain) (net)	(65.1)	28.9
Bad debts written off	24.8	14.7
	1,388.8	1,156.8
Operating cash flow before changes in working capital	5,360.9	6,499.6
(Increase)/decrease in inventories	(398.3)	1,664.2
(Increase)/decrease in trade and other receivables	(655.3)	1,577.9
Increase/(decrease) in trade and other payables	2,967.2	(3,271.6)
Increase in other liabilities and provisions	601.7	260.9
	2,515.3	231.4
Cash generated from operating activities	7,876.2	6,731.0
Income tax paid (net of refunds)	(1,384.3)	(1,633.3)
A Net cash from operating activities	6,491.9	5,097.7
Cash flows from investing activities		
Purchase of property, plant and equipment (tangible and intangible, capital work-in-progress, capital advance and capital creditors)	(2,376.9)	(3,202.5)
Proceeds from sale of property, plant and equipment	0.2	3.9
(Investment in) bank deposits (with original maturity of more than 3 months and remaining maturity of less than 12 months)	(2,528.6)	(1,029.8)
Interest received	580.8	570.7
B Net cash used in investing activities	(4,324.5)	(3,657.7)
Cash flows from financing activities		
Finance costs paid	(52.4)	(34.7)
Proceeds from repayment of loans	-	35.3
Payment of lease liabilities	(72.0)	-
Repayment of borrowings	-	(576.4)
Dividends paid on equity shares	(1,094.1)	(937.3)
Dividend distribution tax	-	(192.8)
C Net cash used in financing activities	(1,218.5)	(1,705.9)
Net (decrease)/increase in cash and cash equivalents (A + B + C)	948.9	(265.9)
Cash and cash equivalents at the beginning of period (see note 2 below)	1,159.1	1,425.0
Cash and cash equivalents at the end of period (see note 2 below)	2,108.0	1,159.1
	948.9	(265.9)

Cash Flow Statement

for the year ended December 31, 2020

	(₹ in million)	
	2020	2019
Notes:		
1) 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		
2) Cash and cash equivalents comprise of:		
With scheduled banks on:		
Current accounts	412.8	859.1
Deposit accounts (with original maturity of three months or less)	1,695.2	300.0
	2,108.0	1,159.1

Significant accounting policies	2
Notes to the financial statements	3 - 51

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: Mumbai
 Date: February 16, 2021

For and on behalf of the Board of Directors

Avinash Gandhi
 Chairman
 DIN: 00161107

Satish Patel
 Director-Finance & CFO
 DIN: 00690869

Place: New Delhi
 Date: February 16, 2021

Harsha Kadam
 Managing Director
 DIN: 07736005

Ashish Tiwari
 VP - Legal & Company Secretary

Statement of Changes in Equity

for the year ended December 31, 2020

(₹ in million)

	Reserves and surplus				Other Comprehensive Income (OCI)	Total
	Capital reserve	Securities premium	General reserve	Retained earnings	Effective portion of cash flow hedge	
As at January 1, 2019	617.8	600.0	4,218.4	21,361.5	(49.1)	26,748.6
Changes in equity share capital	-	-	-	3,676.4	-	3,676.4
As at December 31, 2019	617.8	600.0	4,218.4	23,872.8	-	29,309.0
Changes in equity share capital	-	-	-	2,909.7	-	2,909.7
As at December 31, 2020	617.8	600.0	4,218.4	25,654.1	-	31,090.3

Nature and purpose of reserves:

- Capital reserve on account of Scheme of Amalgamation (refer Note 47).
- 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 statement	3 - 51

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: Mumbai
 Date: February 16, 2021

For and on behalf of the Board of Directors

Avinash Gandhi
 Chairman
 DIN: 00161107

Satish Patel
 Director-Finance & CFO
 DIN: 00690869

Place: New Delhi
 Date: February 16, 2021

Harsha Kadam
 Managing Director
 DIN: 07736005

Ashish Tiwari
 VP - Legal & Company Secretary

Notes to the Financial Statements

for the year ended December 31, 2020

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.

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 Tamilnadu at Hosur.

2. Significant Accounting Policies

2.1 Basis of preparation

- 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.

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

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

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

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

b) Determination of the estimated useful lives

The Company uses its technical expertise along with historical and industry trends for determining the economic life of an asset/component of an asset. The useful lives are reviewed by management periodically and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the remaining useful life of the assets.

c) Current and deferred taxes

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

Notes to the Financial Statements

for the year ended December 31, 2020

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 01, 2017.

Depreciation/amortisation

(i) Leasehold land is amortised over the period of lease using straight-line method (SLM) and included in depreciation and amortisation in statement of profit and loss statement.

Useful lives are reviewed by the Company's management at each reporting date and revised, if appropriate.

(ii) The useful lives have been assessed based on technical advice, taking into account the nature of the PPE and the estimated usage of the asset on the basis of management's best estimation of obtaining economic benefits from those classes of assets. The estimated useful life is reviewed periodically, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Financial Statements

for the year ended December 31, 2020

Such classes of assets and their estimated useful lives are as under:

No	Nature	Estimated useful life
1	Buildings	25-30 Years
2	Plant and equipments	3-8 Years
3	Furniture & fixtures	5-10 Years
4	Office equipments	5 Years
5	Vehicles	5 Years
6	Software	3 Years

(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 Leases

Effective January 1, 2020, the Company has adopted Ind AS 116 Leases which introduces single accounting model and requires a lessee to recognise assets and liabilities for all leases subject to recognition exemptions. The Company adopted Ind AS 116 Leases using modified retrospective approach.

At inception of the contract, the Company assess whether a contract contains a lease, at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether (i) the contract involves the use of identified asset; (ii) the Company has substantially all of the economic benefits from the use of the asset through the period of lease and (iii) the Company has right to direct the use of the asset.

At the inception date, right-of-use asset is recognised at cost which includes present value of lease payments adjusted for any payments made on or before the commencement of lease and initial direct cost, if any. It is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. Right-of-use asset is depreciated using the straight-line method from the commencement date over the earlier of useful life of the asset or the lease term. When the Company has purchase option available under lease and

cost of right-of-use assets reflects that purchase option will be exercised, right-of-use asset is depreciated over the useful life of underlying asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

At the inception date, lease liability is recognised at present value of lease payments that are not made at the commencement of lease. Lease liability is subsequently measured by adjusting carrying amount to reflect interest, lease payments and remeasurement, if any.

Lease payments are discounted using the incremental borrowing rate or interest rate implicit in the lease, if the rate can be determined.

The Company has elected not to apply requirements of Ind AS 116 to leases that has a term of 12 months or less and leases for which the underlying asset is of low value. Lease payments of such lease are recognised as an expense on straight line basis over the lease term.

Lease term is a non-cancellable period together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

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.

2.6 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.

Notes to the Financial Statements

for the year ended December 31, 2020

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.

2.7 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.

2.8 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.

2.9 Revenue recognition

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.

Notes to the Financial Statements

for the year ended December 31, 2020

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.

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.

2.12 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.

Notes to the Financial Statements

for the year ended December 31, 2020

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 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.

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for the year ended December 31, 2020

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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).

Notes to the Financial Statements

for the year ended December 31, 2020

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

2.19 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.

2.20 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.

2.21 Recent accounting pronouncements Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from January 01, 2021.

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ 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, 2019	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
Additions	-	-	737.9	1,565.2	28.2	21.5	-	2,352.8
Disposals	-	-	-	-	-	8.1	-	8.1
Transition impact on adoption of Ind As 116 (refer Note 48)	-	187.7	-	-	-	-	-	187.7
As at December 31, 2020	40.7	-	2,595.2	12,959.7	328.5	207.2	13.0	16,144.3
Accumulated Depreciation								
As at January 1, 2019	-	-	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
Depreciation for the year	-	-	91.3	1,667.7	43.2	44.4	3.2	1,849.8
Deletions	-	-	-	-	-	8.0	-	8.0
As at December 31, 2020	-	-	265.4	6,319.7	168.3	122.3	10.0	6,885.7
Net Block								
As at December 31, 2019	40.7	187.7	1,683.2	6,742.5	175.2	107.9	6.2	8,943.4
As at December 31, 2020	40.7	-	2,329.8	6,640.0	160.2	84.9	3.0	9,258.6

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 ownership.

3.2 Right-of-use of assets

	Leasehold land	Buildings	Vehicle	Total
Cost				
As at January 1, 2020 (Transition impact on adoption of Ind AS 116)	187.7	670.0	3.4	861.1
Additions for the year	-	26.2	-	26.2
Disposals	-	-	-	-
As at December 31, 2020	187.7	696.2	3.4	887.3
Accumulated Amortisation				
Amortisation for the year	1.0	85.0	3.0	89.0
Deletions	-	-	-	-
As at December 31, 2020	1.0	85.0	3.0	89.0
Net Block				
As at December 31, 2020	186.7	611.2	0.4	798.3

Lease contracts entered by the company majority pertains to land and building taken on lease to conduct business activity in ordinary course of business

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

3.3 Capital work-in-progress

	Total
As at January 1, 2019	1,617.2
Additions	3,272.7
Deductions	-
Assets capitalised during the year	3,227.4
As at December 31, 2019	1,662.5
Additions	2,294.5
Deductions	-
Assets capitalised during the year	2,352.9
As at December 31, 2020	1,604.1

3.4 Other intangible assets

	Software	Total
Cost		
As at January 1, 2019	11.5	11.5
Additions	1.3	1.3
Disposals	-	-
As at December 31, 2019	12.8	12.8
Additions	0.1	0.1
Disposals	-	-
As at December 31, 2020	12.9	12.9
Accumulated Amortisation		
As at January 1, 2019	8.3	8.3
Amortisation for the year	2.0	2.0
Deletions	-	-
As at December 31, 2019	10.3	10.3
Amortisation for the year	1.1	1.1
Deletions	-	-
As at December 31, 2020	11.4	11.4
Net Block		
As at December 31, 2019	2.5	2.5
As at December 31, 2020	1.5	1.5

4. Non-current financial assets

	2020	2019
(i) Loans		
Security deposits	96.3	95.3
Total	96.3	95.3
(ii) Other financial assets		
Bank deposits with remaining maturity of more than 12 months*	763.5	1,391.4
Total	763.5	1,391.4

* Includes deposits of ₹ 58.5 million (2019: ₹ 161.4 million) under lein.

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

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

	2020	2019
Deferred tax liabilities		
Effective portion of loss on hedging instruments in cash flow hedge	-	1.2
	(A)	1.2
Deferred tax assets		
Excess of depreciation/amortisation on property, plant and equipment provided in accounts over depreciation/amortisation under tax laws	116.9	7.5
Provision for employee benefits	136.5	122.1
Provision for expenses and others	59.2	87.7
Allowance for expected credit loss	42.6	18.9
Leases	8.0	-
	(B)	236.2
Net deferred tax assets	(B - A)	235.0

Movement in deferred tax assets/(liabilities) net

	Depreciation	Provision for employee benefits	Provision for expenses and others	Allowance for expected credit loss	Leases	Effective portion of gain/(loss) on cash flow hedges	Total
As at January 1, 2019	(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
(Charged)/credited to:							
Statement of Profit and Loss	109.4	2.9	(28.5)	23.7	8.0	1.2	116.7
Other Comprehensive Income	-	11.5	-	-	-	-	11.5
As at December 31, 2020	116.9	136.5	59.2	42.6	8.0	-	363.2

6. Non-current tax assets (net)

	2020	2019
Advance tax recoverable (net of provisions)	1,002.9	814.8
Total	1,002.9	814.8

7. Other non-current assets

	2020	2019
VAT, excise and others receivable (paid under protest)	43.4	39.8
Stamp duty (paid under protest, refer note no. 35 d)	250.0	250.0
Other balance with government authorities	102.3	55.5
Capital advance	85.7	315.2
Total	481.4	660.5

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

8. Inventories

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

	2020	2019
Raw materials and components (including goods-in-transit ₹ 594.8 million; 2019: ₹ 494.8 million)	1,591.8	1,069.6
Work-in-progress	482.6	381.7
Finished goods	1,508.8	2,670.7
Stock-in-trade (including goods-in-transit ₹ 1,872.6 million; 2019: ₹ 534.8 million)	3,049.5	2,511.2
Stores and spares (including goods-in-transit ₹ 10.0 million; 2019: ₹ 0.3 million)	503.6	571.7
Total	7,136.3	7,204.9

The Company follows suitable provisioning norms for writing down the value of Inventories towards slow moving and non-moving inventory. As at December 31, 2020, provision for write-down of inventories to net realisable value is ₹ 1,171.1 million (2019: ₹ 704.2 million).

9. Current financial assets - Trade receivables

	2020	2019
Other than related parties	5,988.4	5,643.9
From related parties (refer Note 37)*	1,098.0	750.4
Less: Allowance for expected credit loss	(169.2)	(74.9)
	6,917.2	6,319.4
Of which;		
secured, considered good	20.6	30.6
unsecured, considered good	7,035.5	6,353.7
which have significant increase in credit risk	30.3	8.8
credit impaired	-	1.2
	7,086.4	6,394.3
Less: Allowance for expected credit loss	(169.2)	(74.9)
Total	6,917.2	6,319.4

*Includes receivable of ₹ 1.8 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 A(i) and 39 C.

10. Current financial assets - Cash and cash equivalents

	2020	2019
Balances with banks:		
on current accounts	412.8	859.1
on deposit accounts (with original maturity of 3 months or less)	1,695.2	300.0
Total	2,108.0	1,159.1

11. Current financial assets - Bank balances other than above

	2020	2019
Bank deposits with original maturity of more than 3 months and remaining maturity of less than 12 months*	10,343.4	7,188.0
Restricted deposits (unclaimed dividend)	7.6	6.5
Total	10,351.0	7,194.5

* Includes deposits of ₹ 563.4 million (2019: ₹ 278.0 million) under lein.

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

12. Current financial assets - Loans

	2020	2019
Secured and considered good		
Security deposits	49.9	78.4
Total	49.9	78.4

13. Other financial assets

	2020	2019
Interest accrued - fixed deposits	170.5	190.6
Interest accrued - others	2.7	0.5
Derivative forward exchange contracts	-	4.7
Insurance claim receivable	0.7	48.4
Total	173.9	244.2

14. Other current assets

	2020	2019
Unsecured and considered good		
Other receivables - related parties (refer Note 37)	9.1	13.9
Balance with Government authorities	26.9	92.2
VAT, excise and others receivable (paid under protest)	1.3	3.2
Advances for supply of goods and services	245.9	178.2
Export incentives receivable	114.6	134.7
Advances to employees	5.4	11.5
Prepaid expenses	5.0	12.7
Total	408.2	446.4

15. Equity share capital

	2020	2019
Authorised capital		
125,500,000 equity shares of ₹10 each (2019: 125,500,000 equity shares)	1,255.0	1,255.0
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 (2019: 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:

Name of Shareholders	2020		2019	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Shares outstanding at the beginning of the year	31,260,734	312.6	31,260,734	312.6
Shares issued during the year	-	-	-	-
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, 2020

(₹ in million)

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

Name of Shareholders	2020		2019	
	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	6,428,573	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	3,522,440	35.2
Total	23,172,647	231.7	23,172,647	231.7

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

Name of Shareholders	2020		2019	
	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%	6,428,573	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%	3,522,440	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	2020	2019	2018
Equity shares of ₹ 10 each issued in financial year 2018 as fully paid up equity shares to share holders of INA Bearings India Private Limited and LuK India Private Limited pursuant to the Scheme of Amalgamation (refer Note 47)	-	-	14,643,464

16. Other equity

	2020	2019
Capital reserve	617.8	617.8
	(A)	617.8
Securities premium	600.0	600.0
	(B)	600.0
General reserve	4,218.4	4,218.4
	(C)	4,218.4
Retained earnings		
At the commencement of the year	23,872.8	21,361.5
Add: Net profit for the year	2,909.7	3,676.4
Remeasurements of defined benefit liability/asset (net of tax) (FVTOCI)	(34.3)	(34.5)
Less: Appropriations		
Dividends paid	1,094.1	937.8
Dividend distribution tax	-	192.8
	(D)	25,654.1
Other Comprehensive Income		
At the commencement of the year	-	(49.1)
Cash flow hedge reserve (FVTOCI)	-	49.1
	(E)	-
Total (A+B+C+D+E)	31,090.3	29,309.0

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

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

	2020	2019
₹ 35 per equity share (2019: ₹ 30)	1,094.1	937.8
Dividend distribution tax (DDT) on dividend to equity shareholders	-	192.8
	1,094.1	1,130.6

After the reporting dates, the following dividends 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.

	2020	2019
Dividend of ₹ 38 per equity share (2019: ₹ 35 per equity share)	1,187.9	1,094.1

17 a) Lease liabilities (non current)

	2020	2019
Lease liabilities	566.2	-
Total	566.2	-

17 b) Lease liabilities (current)

	2020	2019
Lease liabilities	84.7	-
Total	84.7	-

18. Other financial liabilities (non current)

	2020	2019
Security deposits from customers/suppliers	23.5	33.5
Total	23.5	33.5

19. Provisions (non current)

	2020	2019
Provision for employee benefits		
Gratuity (refer Note 41)	50.1	71.3
Compensated absences	341.6	337.9
Other provisions		
Provision for other statutory matters (being litigated) *	11.2	12.2
Total	402.9	421.4

* 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

	2020	2019
Total outstanding dues of micro and small enterprises	50.3	18.9
Total outstanding dues of creditors other than micro and small enterprises		
Other than related parties	3,952.6	2,493.0
Related parties (refer note 37)	3,683.7	2,479.6
Total	7,686.6	4,991.5

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ 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	2020	2019
a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year, if any:		
Principal	50.3	18.9
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, 2020 and year ended December 31, 2019. This has been relied upon by auditors

The Company's exposure to currency and liquidity risks related to trade payables is disclosed in Note 39.

21. Other financial liabilities

	2020	2019
Employee liabilities:		
- Personnel cost	446.0	425.0
- Contribution to provident fund	-	12.4
Creditors for capital goods	151.7	415.1
Accrued expense	343.5	163.2
Unclaimed dividends*	7.6	6.5
Other payables	31.1	13.1
Total	979.9	1,035.3

*The amounts 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

	2020	2019
Advances from customers	75.7	105.5
TDS payable	22.7	22.0
Other statutory dues	0.4	5.7
Total	98.8	133.2

23. Provisions (Current)

	2020	2019
Provision for employee benefits		
Current portion of compensated absences	72.2	73.0
Gratuity (refer Note 41)	60.0	-
Other provisions		
Provision for warranties*	124.1	113.2
Total	256.3	186.2

* 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 determined on receipt of claims.

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

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

Warranties	2020	2019
At the commencement of the year	113.2	71.1
Provision made during the year	66.6	113.6
Provision utilised during the year	(55.7)	(71.5)
At the end of the year	124.1	113.2

24. Revenue from operations

	2020	2019
Revenue from Contract with Customer		
Sale of products		
Manufactured goods	28,031.0	30,925.9
Traded goods	9,048.7	12,016.9
	37,079.7	42,942.8
Sale of services	86.6	73.3
Other operating revenues		
Export incentives	139.1	212.3
Scrap sales	313.0	377.9
Total	37,618.4	43,606.3

The management determines that the segment information reported under Note 44 Segment reporting is sufficient to meet the disclosure objective with respect to disaggregation of revenue and geographical segment under Ind AS 115 Revenue from contract with Customers. Hence, no separate disclosures of disaggregated revenues are reported.

25. Other income

	2020	2019
Interest income		
On fixed deposits	547.0	492.6
On loan and others	15.9	14.6
Provisions no longer required written-back	-	62.2
Other income	40.0	61.3
Profit on sale/retirement of assets (net)	0.1	1.4
Total	603.0	632.1

26. Cost of materials consumed*

	2020	2019
Inventory of materials at the beginning of the year	1,069.6	2,730.3
Purchases	14,418.6	15,646.8
Inventory of materials at the end of the year	1,591.8	1,069.6
Total	13,896.4	17,307.5

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

27. Purchases of stock-in-trade

	2020	2019
Purchase of traded goods	8,912.3	10,030.1
Total	8,912.3	10,030.1

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

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

	2020	2019
Decrease/(Increase) in inventory of manufactured goods		
Opening inventory	2,670.7	2,004.6
Less: Closing inventory	1,508.8	2,670.7
(A)	1,161.9	(666.1)
(Increase)/Decrease in inventory of traded goods		
Opening inventory	2,511.2	3,264.9
Less: Closing inventory	3,049.5	2,511.2
(B)	(538.3)	753.7
(Increase)/Decrease in inventory of work-in-progress		
Opening inventory	381.7	452.4
Less: Closing inventory	482.6	381.7
(C)	(100.9)	70.7
Total (A + B + C)	522.7	158.3

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

29. Employee benefits expense

	2020	2019
Salaries, wages and incentives	3,046.0	2,964.6
Contributions to: (refer Note 41)		
- Provident fund	153.3	143.1
- Gratuity fund	52.9	46.4
- Superannuation fund	31.8	32.6
Compensated absences	32.8	45.3
Staff welfare expenses	218.7	219.7
Total	3,535.5	3,451.7

30. Finance costs

	2020	2019
Interest expense	-	18.5
Interest and finance charges on lease liability	49.5	-
Bank and other financial charges	0.9	5.9
Guarantee commission paid	2.0	10.3
Total	52.4	34.7

31. Depreciation and amortisation expense

	2020	2019
Depreciation on property, plant and equipment	1,849.6	1,585.1
Depreciation of right of use of assets (refer Note 49)	89.0	-
Amortisation of intangible assets	1.1	2.0
Total	1,939.7	1,587.1

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

32. Other expenses

	2020	2019
Consumption of stores and spare parts	1,537.1	1,818.2
Power and fuel	567.9	648.9
Freight, clearing and forwarding	497.6	524.4
Rent	12.6	86.4
Repairs and maintenance		
Building	15.4	3.1
Machinery	30.6	2.4
Others	58.9	17.9
Insurance	41.4	32.1
Rates and taxes	14.7	34.2
Travelling expenses	55.4	196.7
Legal and professional fees	56.3	94.6
Payments to auditors (refer note below)	11.9	12.4
Fees for use of technology	743.7	813.4
Advertising and sales promotion	64.1	81.0
Bank charges	7.0	10.1
Telephone and other communication expenses	16.4	22.9
Printing and stationery	13.3	18.3
Provision for doubtful debts	94.3	-
Bad debts written off	24.8	14.7
Loss on account of foreign exchange fluctuations (net)	94.8	258.2
Warranty costs	66.6	113.6
Outside services	1,317.9	1,484.0
Corporate Social Responsibility expenditure (refer note below)	101.6	92.7
Miscellaneous expenses	38.1	62.8
Less: Capitalised for own consumption	(92.1)	(116.8)
Less: Exceptional items (merger cost) (refer Note 47)	-	(3.4)
Total	5,390.3	6,322.8

	2020	2019
Note: Payments to auditors		
As auditors		
- Statutory audit	7.0	7.3
- Limited review	2.9	2.9
- Other services	2.0	2.0
Reimbursement of expenses	-	0.2
Total	11.9	12.4

	2020	2019
Note: Corporate Social Responsibility expenditure		
Amount required to be spent as per Section 135 of the Act	104.8	89.1
Amount incurred during the year on:		
(i) Construction/acquisition of assets	-	-
(ii) On purpose other than (i) above	101.6	92.7
	101.6	92.7
Amount yet to be paid on:		
(i) Construction/acquisition of assets	-	-
(ii) On purpose other than (i) above	5.5	4.6
Total	5.5	4.6

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

33. Tax expense

	2020	2019
(a) Current tax		
Current tax on profit during the year	1,144.4	1,554.6
Tax in respect of prior years	34.7	40.0
Total current tax expense	1,179.1	1,594.6
(b) Deferred tax		
Deferred tax (credit)/expense attributable to origination and reversal of temporary differences	(116.7)	71.8
Total tax expense	1,062.4	1,666.4
Reconciliation of effective tax rate		
Profit before tax	3,972.1	5,342.8
Current tax at the Indian tax rate of 25.17%	999.8	1,503.4
Tax adjustments of earlier years	34.7	40.0
Expenses allowable when paid and other timing differences	144.6	51.2
Current tax expense (A)	1,179.1	1,594.6
Deferred tax		
On WDV of property, plant and equipment	(109.4)	(96.5)
Provision for employee benefits	(2.9)	46.9
Provision for expenses	28.5	91.3
Provision for doubtful trade receivables	(23.7)	29.0
Lease accounting	(8.0)	-
Effective portion of gain/(loss) on cash flow hedge	(1.2)	1.1
Deferred tax expense (B)	(116.7)	71.8
Tax expense recognised in Statement of Profit and Loss (A + B)	1,062.4	1,666.4
Tax impact recognised in Other Comprehensive Income (OCI)		
Remeasurement of defined benefits obligation	11.5	8.3
Effective portion of gain/(loss) on hedging instruments in cash flow hedge	-	(26.4)
Total	11.5	(18.1)

34. Earnings Per Share (EPS)

	2020	2019
a) Amount used as the numerator		
Profit after tax attributable to equity shareholders (₹ in million)	2,909.7	3,676.4
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 ₹)	93.1	117.6

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

35. Contingent liabilities not provided for in respect of:

Claims against the company not acknowledged as debts:

	2020	2019
a) Employees and ex-employees related matters:		
(i) Matters pending in labor court/civil court/High Court for reinstatement of service/recovery of salary, PF & ESIC matters.	105.0	101.9
(ii) Demand for discontinuing of contract system and for differential wages	12.7	12.7
	117.7	114.6
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.	24.3	15.2
(ii) Excise duty and Service tax:		
In respect of matters decided against the Company, for which the Company is in appeal with higher authorities	133.4	134.1
	157.7	149.3
c) Income tax:		
i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.	97.9	67.2
	97.9	67.2
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

	2020	2019
Contracts on capital account:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance).	521.9	2,278.7
	521.9	2,278.7

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ 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.

2020	2019
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 Austria GmbH, Austria	Schaeffler Brasil Ltda., Brazil
Schaeffler Brasil Ltda., Brazil	Schaeffler (China) Co., Ltd., China
Schaeffler Canada Inc. Oakville, Canada	Schaeffler Trading (Shanghai) Co., Ltd., China
Schaeffler (China) 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 (Xiangtan) Co., Ltd., China	Schaeffler Holding (China) Co., Ltd., China
Schaeffler Friction Products (Suzhou) Co., Ltd., China	Schaeffler (Xiangtan) Co., Ltd., China
Schaeffler Trading (Shanghai) Co., Ltd., China	Schaeffler France SAS, France
Schaeffler Chain Drive Systems SAS, France	Schaeffler Chain Drive Systems SAS, France
Schaeffler France SAS, France	WPB Water Pump Bearing GmbH & Co. KG, Germany
LuK Truckparts GmbH & Co. KG, Germany	Schaeffler Technologies AG & Co. KG, Germany
LuK Unna GmbH & Co. KG, Germany	Schaeffler Automotive Buehl GmbH & Co. KG, Germany (formerly known as LuK GmbH & Co. KG,)
Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany	Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany
Schaeffler AG, Germany	Schaeffler AG, Germany
Schaeffler Automotive Buehl GmbH & Co. KG, Germany	LuK Truckparts GmbH & Co. KG, Germany
Schaeffler Engineering GmbH, Germany	Schaeffler Engineering GmbH, Germany
Schaeffler Friction Products GmbH, Germany	Schaeffler Monitoring Services GmbH, Germany (formerly known as FAG Industrial Services GmbH,)
Schaeffler Monitoring Services GmbH, Germany	Schaeffler Friction Products GmbH, Germany
Schaeffler Technologies AG & Co. KG, Germany	LuK Unna GmbH & Co. KG, Germany
WPB Water Pump Bearing GmbH & Co. KG, Germany	Schaeffler Schweinfurt Beteiligungs GmbH, Germany
Schaeffler Schweinfurt Beteiligungs GmbH, Germany	Schaeffler Bühl Verwaltungs GmbH, Germany
Schaeffler Bühl Verwaltungs GmbH, Germany	Schaeffler Verwaltungsholding Sechs GmbH, Germany
Schaeffler Verwaltungsholding Sechs GmbH, Germany	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany
Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	Schaeffler Beteiligungsgesellschaft mbH, Germany
Schaeffler Hong Kong Company Limited, Hong Kong	Schaeffler Bühl Beteiligungs GmbH, Germany
Schaeffler Savaria Kft., Hungary	Schaeffler Hong Kong Company Limited, Hong Kong
Schaeffler Bearings Indonesia, PT, Indonesia	Schaeffler Savaria Kft., Hungary
Schaeffler Water Pump Bearing Italia S.r.l. Momo Italy	Schaeffler Bearings Indonesia, PT, Indonesia
Schaeffler Japan Co., Ltd., Japan	Schaeffler Japan Co., Ltd., Japan
Schaeffler Ansan Corporation, Korea	Schaeffler Ansan Corporation, Korea
Schaeffler Korea Corporation, Korea	Schaeffler Korea Corporation, Korea
Schaeffler Mexico, S. de R.L. de C.V., Mexico	Schaeffler Mexico, S. de R.L. de C.V., Mexico
Schaeffler Mexico Servicios, S. de R.L. de C.V., Mexico	Schaeffler Transmisión, S. de R.L. de C.V., Mexico (formerly known as LuK Puebla, S. de R.L. de C.V.)
Schaeffler Transmisión, S. de R.L. de C.V., Mexico	Schaeffler Mexico Servicios, S. de R.L. de C.V., Mexico
Schaeffler Bearings (Malaysia) Sdn. Bhd., Malaysia	Radine B.V., Netherlands
Schaeffler Philippines Inc., Philippines	Schaeffler Philippines Inc., Philippines
Schaeffler Romania S.R.L., Romania	Schaeffler Portugal, Unipessoal, Lda., Portugal
Schaeffler (Singapore) Pte. Ltd., Singapore	Schaeffler Romania S.R.L., Romania
Schaeffler Kysuce, spol. s r.o., Slovakia	Schaeffler (Singapore) Pte. Ltd., Singapore
Schaeffler Skalica, spol. s r.o., Slovakia	Schaeffler Kysuce, spol. s r.o., Slovakia

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(₹ in million)

2020	2019
Schaeffler South Africa (Pty.) Ltd., South Africa	Schaeffler Skalica, spol. s r.o., Slovakia
Schaeffler (Thailand) Co., Ltd, Thailand	Schaeffler South Africa (Pty.) Ltd., South Africa
Schaeffler Manufacturing (Thailand) Co., Ltd., Thailand	Schaeffler Schweiz GmbH, Switzerland
Schaeffler (UK) Limited, UK	Schaeffler (Thailand) Co., Ltd., Thailand
Schaeffler Group USA, Inc., USA	Schaeffler Manufacturing (Thailand) Co., Ltd., Thailand
Schaeffler Transmission Systems, LLC, USA	Schaeffler (UK) Limited, UK
Schaeffler Vietnam Co., Ltd., Vietnam	The Barden Corporation (UK) Ltd., UK
	Schaeffler Group USA, Inc., USA
	Schaeffler Transmission, LLC, USA
	Schaeffler Transmission Systems, LLC, USA
	Schaeffler Vietnam Co., Ltd., Vietnam
Key Management Personnel	Key Management Personnel
Mr. Harsha Kadam, Managing Director	Mr. Harsha Kadam, Managing Director (with effect from October 01, 2019 onwards)
	Mr. Satish Patel, Director Finance & CFO
Mr. Satish 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	6,356.1	-	6,356.1
	(7,983.5)	-	(7,983.5)
Purchase of raw materials and components and spares	3,772.4	-	3,772.4
	(3,751.3)	-	(3,751.3)
Purchase of tangible assets	558.0	-	558.0
	(932.5)	-	(932.5)
Fees for use of technology/trademark	743.7	-	743.7
	(808.0)	-	(808.0)
Travelling, training, testing, support fee and other cost	181.0	-	181.0
	(232.8)	-	(232.8)
Dividend for the year -2019	811.0	-	811.0
2018	(695.1)	-	(695.1)
SAP, other IT systems and connectivity cost	334.1	-	334.1
	(305.0)	-	(305.0)
Expat cost	15.9	-	15.9
	(12.5)	-	(12.5)
Commission on guarantee	2.0	-	2.0
	(10.3)	-	(10.3)
Interest on loan taken	-	-	-
	(18.5)	-	(18.5)
Loan repayment	-	-	-
	(577.4)	-	(577.4)
Sale of finished goods	3,785.2	-	3,785.2
	(4,339.6)	-	(4,339.6)
Reimbursement of expenses	95.8	-	95.8
	(64.3)	-	(64.3)
Service income	1.8	-	1.8
	(5.1)	-	(5.1)
Managerial remuneration*	-	44.1	44.1
	-	(58.3)	(58.3)

* 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.

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for the year ended December 31, 2020

(₹ in million)		
4) Balances outstanding as at December 31, 2020:		
Nature of transactions	Fellow subsidiaries/Affiliates	Amount
Trade receivables		
Schaeffler Technologies AG & Co. KG, Germany	468.7	(257.3)
Schaeffler Trading (Shanghai) Co. Ltd., China	223.5	(183.8)
Others	405.8	(309.3)
Trade payables		
Schaeffler Technologies AG & Co. KG, Germany	2,673.3	(1,967.8)
Schaeffler (China) Co. Ltd. China	385.0	(119.6)
Others	625.4	(392.2)
Other receivables		
Schaeffler Technologies AG & Co. KG, Germany	3.7	(4.3)
Schaeffler Manufacturing (Thailand) Co., Ltd., Thailand	1.4	(3.4)
Schaeffler (Singapore) Pte. Ltd., Singapore	1.3	(0.2)
Schaeffler Group USA Inc, USA	-	(2.4)
Schaeffler Automotive Buehl GmbH & Co. KG, Germany	1.0	(0.4)
Others	1.7	(3.2)
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	4,957.3
		(5,925.2)
Purchase of raw material and components and spares	Schaeffler Technologies AG & Co. KG, Germany	2,037.4
		(2,330.0)
	Schaeffler (China) Co. Ltd. China	576.7
		(458.6)
	Schaeffler Friction Products (Suzhou) Co., Ltd.,	404.4
		(338.7)
Purchase of tangible assets	Schaeffler (China) Co. Ltd. China	255.3
		(445.8)
	Schaeffler Technologies AG & Co. KG, Germany	202.5
		(358.6)
	Schaeffler Manufacturing (Thailand) Co. Ltd., Thailand	58.5
		-
Sale of finished goods	Schaeffler Technologies AG & Co. KG, Germany	1,138.1
		(1,172.1)
	Schaeffler Trading (Shanghai) Co. Ltd; China	996.5
		(951.1)
Fees for use of technology/trademark	Schaeffler Technologies AG & Co. KG, Germany	743.7
		(807.6)

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)		
Nature of transactions	Fellow subsidiary/Affiliates	Amount
SAP, other IT systems and connectivity cost	Schaeffler Technologies AG & Co. KG, Germany	334.1
		(305.0)
Travelling, training, testing, support fee and other cost	Schaeffler Technologies AG & Co. KG, Germany	43.2
		(76.6)
	Schaeffler Japan Co. Ltd. Japan	70.1
		(61.5)
	Schaeffler Brasil Ltda., Brazil	18.2
		(28.0)
Expat cost	Schaeffler Technologies AG & Co. KG, Germany	8.8
		(8.9)
	Schaeffler Automotive Buehl GmbH & Co. KG, Germany	7.1
		(3.5)
	Schaeffler Japan Co. Ltd. Japan	-
		(3.6)
Commission on guarantee	Schaeffler AG, Germany	2.0
		(10.3)
Interest on loan taken	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	-
		(17.8)
Loan repayment	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	-
		(480.0)
	Schaeffler Bühl Verwaltungs GmbH, Germany	-
		(97.4)
Reimbursement of expenses	Schaeffler Technologies AG & Co. KG, Germany	66.4
		(43.4)
	Schaeffler Manufacturing (Thailand) Co. Ltd., Thailand	8.6
		(7.3)
Service income	Schaeffler Korea Corporation, Korea	1.7
		-
	Schaeffler Kysuce, spol. s.r.o, Slovakia	-
		(3.4)
	Schaeffler Brasil Ltda., Brazil	-
		(1.7)
Managerial remuneration	Mr. Harsha Kadam	31.1
		(7.8)
	Mr. Satish Patel	13.0
		(13.0)
	Mr. Dharmesh Arora	-
		(37.5)
Dividend paid	Schaeffler Schweinfurt Beteiligungs GmbH, Germany	298.5
		(255.9)
	Schaeffler Bühl Verwaltungs GmbH, Germany	225.0
		(192.9)
	Schaeffler Verwaltungsholding Sechs GmbH, Germany	164.2
		(140.8)
	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	123.3
		(105.7)

Amounts in brackets represents previous year amounts.

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.

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for the year ended December 31, 2020

(₹ in million)

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.

Outstanding derivative instruments

Category	Currency hedged	2020		2019	
		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	-	-	-	-
	EUR	-	-	13,050,000	1,045.5

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

	Maturity			
	2020		2019	
	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	-
Average ₹: USD forward contract rate	-	-	-	-
Average ₹: EUR forward contract rate	-	-	80.4	-

Foreign currency exposures as at December 31, 2020:

Particulars	Currency	Amount in foreign currency	Equivalent amount (₹ in million)
Trade Payables	USD	16,558,795.4 (10,137,093.7)	1,210.0 (723.2)
	EUR	2,350,838.8 (17,575,946.9)	210.7 (1,408.2)
	CHF	- (127,347.9)	- (9.4)
	JPY	2,945,838.0 (3,583,478.0)	2.1 (2.4)
	CNY	13,506,938.3 (13,247,813.8)	150.9 (135.8)
Trade Receivables	USD	8,277,663.8 (7,322,896.5)	604.9 (522.5)
	EUR	355,316.5 (3,063,237.7)	31.9 (245.4)
Advances to Suppliers	USD	63,698.9 (385,829.3)	4.7 (27.5)
	EUR	1,117,721.7 (3,014,427.8)	100.2 (241.5)
	GBP	1,101.9 (980.1)	0.1 (0.1)
	AUD	5,496.1 (5,496.1)	0.3 (0.3)
	CHF	305.0 -	- -
	JPY	841,000.0 -	0.6 -
Bank balance in EEFC accounts	USD	2,177,536.3 (3,378,312.7)	159.1 (241.0)
	EUR	149,618.7 (1,026,363.7)	13.4 (82.1)

Amounts in brackets represents previous year numbers.

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(₹ in million)

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

	2020	2019
Financial assets		
Trade receivables		
USD	604.9	522.5
EUR	31.9	245.4
Bank Balances in EEFC account		
USD	159.1	241.0
EUR	13.4	82.1
Total Exposure to foreign currency assets	809.3	1,091.0

	2020	2019
Financial liabilities		
Trade payables		
USD	1,210.0	723.2
EUR	210.7	1,408.2
CHF	-	9.4
JPY	2.1	2.4
CNY	150.9	135.8
Total Exposure to foreign currency liabilities	1,573.7	2,279.0

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

(i) Foreign currency risk

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

The Company has import and export transactions in foreign currencies. Imports are higher than exports and hence the Company has foreign currency exposure to the extent of 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.

Notes to the Financial Statements

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(₹ in million)

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	
		2020	2019
USD	+ 5%	(22.3)	2.0
	- 5%	22.3	(2.0)
EUR	+ 5%	(8.3)	(54.0)
	- 5%	8.3	54.0
CHF	+ 5%	0.0	(0.5)
	- 5%	-	0.5
JPY	+ 5%	(0.1)	(0.1)
	- 5%	0.1	0.1
CNY	+ 5%	(7.5)	(6.8)
	- 5%	7.5	6.8

(ii) Interest rate risk

The Company recovers interest as per the terms of the agreement which approximates the prevailing market rate of interest, from time to time.

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.

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, 2020				
Financial liabilities				
Lease liabilities	650.9	84.7	566.20	650.9
Trade payables	7,686.6	7,686.6	-	7,686.6
Security deposits from customers/suppliers	23.5	-	23.5	23.5
Employee liabilities	446.0	446.0	-	446.0
Creditors for capital goods	151.7	151.7	-	151.7
Accrued expense	343.5	343.5	-	343.5
Unclaimed dividends	7.6	7.6	-	7.6
Other payables	31.1	31.1	-	31.1
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

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

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.

	2020		2019	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Gross carrying amount	7,019.2	67.2	6,229.9	164.4
Allowance for expected credit loss	(147.1)	(22.1)	(68.0)	(6.9)
Carrying amount of trade receivables (net)	6,872.1	45.1	6,161.9	157.5

Reconciliation of expected credit loss allowance is as follows:

As at January 1, 2020	74.9
Charge in loss allowance	94.3
As at December 31, 2020	169.2

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 it's 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 ₹ 153.3 million (2019: ₹ 143.1 million) and contribution to superannuation fund for the year aggregated to ₹ 31.8 million (2019: ₹ 32.6 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.

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

The following table summarises the position of assets and obligations

	Gratuity	
	2020	2019
Present value of funded obligations	720.6	628.6
Fair value of plan assets	610.5	557.3
Liability recognised in balance sheet	110.1	71.3

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	
	2020	2019
Noncurrent liability	50.1	71.3
Current liability	60.0	-
Total	110.1	71.3

Movement in present values of defined benefit obligations:

	Gratuity	
	2020	2019
Defined benefit obligation at January 1	628.5	556.2
Service cost	49.8	44.5
Interest cost	38.5	39.7
Actuarial (gains)/losses recognised in Other Comprehensive Income due to:		
Change in assumptions	39.9	28.8
Demographic assumptions	-	(0.1)
Experience changes	13.1	15.1
Benefits paid/Employees contribution	(49.3)	(55.6)
Defined benefit obligation at December 31	720.5	628.5

Movement in fair value of plan assets:

	Gratuity	
	2020	2019
Fair value of plan assets at January 1	557.3	506.9
Return on plan assets recognised in other comprehensive income	7.2	1.0
Interest on plan assets	35.3	37.7
Contributions by employer	60.0	67.3
Benefits paid/Employees contribution	(49.3)	(55.6)
Fair value of plan assets at December 31	610.5	557.3

Expense recognized in the Statement of Profit and Loss:

	Gratuity	
	2020	2019
Current service cost	49.8	44.5
Interest on net defined benefit liability/(asset)	3.1	1.9
Total included in Employee benefits expense	52.9	46.4

Remeasurements recognised in other comprehensive income

	Gratuity	
	2020	2019
Actuarial (gain)/loss on defined benefit obligation	53.0	43.8
Return on plan assets excluding interest income	(7.2)	(1.0)
	45.8	42.8

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(₹ in million)

Principal actuarial assumptions at the balance sheet date

	Gratuity	
	2020	2019
Discount rate per annum as at December 31	5.60%	6.70%
Expected return per annum on plan assets as at December 31	5.60%	6.70%
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 (2012-14) Ult table
Attrition rate	6%- 13%	6%- 13%

At December 31, 2020, the weighted-average duration of the defined benefit obligation was 7.26 years (December 31, 2019: 6.95 years).

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

Sensitivity Analysis

The following table summarizes the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 100 basis points:

	2020		2019	
	Increase	Decrease	Increase	Decrease
Discount rate (100 bps movement on DBO)	(6.79%)	7.79%	(6.52%)	7.45%
Salary escalation rate (100 bps movement pn DBO)	7.65%	(6.80%)	7.37%	(6.57%)

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

	2020		
	Quoted	Unquoted	Total
Insurer managed funds	-	608.2	608.2
Others	-	2.3	2.3

Maturity profile of defined benefit obligations:

Year	2020	2019
Year 1	112.8	109.3
Year 2	82.9	76.9
Year 3	79.3	70.1
Year 4	73.9	67.0
Year 5	77.9	63.1
Year 6	58.4	66.9
Year 7	45.2	50.5
Year 8	48.3	41.3
Year 9	38.6	43.5
Year 10 and above	565.1	530.4

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(₹ in million)

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 Govt. of India undertaking & other IRDA approved agency and therefore, there is no material investment risk.

42. The proposed Social Security Code, 2019, when promulgated, would subsume labour laws including Employees' Provident Funds and Miscellaneous Provisions Act and amend the definition of wages on which the organisation and its employees are to contribute towards Provident Fund. Additionally, there is uncertainty and ambiguity in interpreting and giving effect to the guidelines of Hon. Supreme Court in case of Surya Roshni Ltd vide its ruling in February 2019, in relation to the scope of compensation on which the organisation and its employees are to contribute towards Provident Fund. The Company will evaluate its position and act, as clarity emerges.

43. 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	
	2020	2019
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	6,917.2	6,319.4
Cash and cash equivalents	2,108.0	1,159.1
Bank balances other than cash and cash equivalents	10,351.0	7,194.5
Loans	146.2	173.7
Other financial assets	937.4	1,630.9
Total Financial Assets	20,459.8	16,482.3
Financial Liabilities		
a) Measurement at amortised cost:		
Trade payables	7,686.6	4,991.5
Borrowings	-	-
Other financial liabilities	1,003.4	1,068.8
Lease liabilities	650.9	-
Total Financial Liabilities	9,340.9	6,060.3

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.

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for the year ended December 31, 2020

(₹ 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, 2020

	Level 1	Level 2	Level 3	Total as at December 31, 2020
Financial Assets				
Derivative contracts not designated as cash flow hedges	-	-	-	-
Trade receivables	-	-	6,917.2	6,917.2
Loans	-	-	146.2	146.2
Other financial assets	-	-	937.4	937.4
Total	-	-	8,000.8	8,000.8

	Level 1	Level 2	Level 3	Total as at December 31, 2020
Financial Liabilities				
Derivative contracts not designated as cash flow hedges	-	-	-	-
Derivative contracts designated as cash flow hedges	-	-	-	-
Trade payables	-	-	7,686.6	7,686.6
Borrowings	-	-	-	-
Other financial liabilities	-	-	1,003.4	1,003.4
Lease liabilities	-	-	650.9	650.9
Total	-	-	9,340.9	9,340.9

December 31, 2019

	Level 1	Level 2	Level 3	Total as at December 31, 2019
Financial Assets				
Derivative contracts 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

	Level 1	Level 2	Level 3	Total as at December 31, 2019
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

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

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for the year ended December 31, 2020

(₹ in million)

44. 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	2020	2019
(a) Segment Revenue (Net revenue/income)		
Mobility components and related solutions	30,063.8	35,015.9
Others	7,554.6	8,590.4
Revenue from operations	37,618.4	43,606.3
(b) Segment Results (Profit before finance cost, depreciation and tax)		
Mobility components and related solutions	2,422.4	3,640.9
Others	999.1	1,157.8
Total profit before finance costs and tax	3,421.5	4,798.7
Less: Finance cost	52.4	34.7
Less: Unallocable expenses	-	3.4
Add: Unallocable Income	603.0	582.2
Profit before tax	3,972.1	5,342.8
(c) Segment assets		
Mobility components and related solutions *	23,227.4	21,781.5
Others	2,896.2	2,664.3
Unallocated	15,390.7	12,006.5
Total assets	41,514.3	36,452.3
(d) Segment liabilities		
Mobility components and related solutions	7,395.1	4,639.0
Others	1,637.4	1,015.5
Unallocated	1,078.9	1,176.2
Total liabilities	10,111.4	6,830.7
(e) Net capital employed	31,402.9	29,621.6

* 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.

Particulars	2020	2019
(a) Revenues		
India	33,659.2	39,037.5
Outside India	3,959.2	4,568.8
Total	37,618.4	43,606.3
(b) Non-current assets*		
India	13,146.8	12,083.7
Outside India	-	-
Total	13,146.8	12,083.7

*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, 2020

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45. Research and development expenses under the respective heads aggregate to ₹ 757.7 million (2019: ₹582.4 million) including of capital nature ₹ 34.3 million (2019: ₹ 28.5 million).

	2020				2019			
	Maneja, Savli (Vadodara)	Talegoan (Pune)	Hosur	Total	Maneja, Savli (Vadodara)	Talegoan (Pune)	Hosur	Total
Revenue expenses on research and development included under various heads of expenditure	286.0	287.6	149.8	723.4	181.5	246.1	126.3	553.9
Capital expenses on research and development capitalised along with other Fixed assets	-	25.8	8.5	34.3	1.9	19.5	7.1	28.5
Total	286.0	313.4	158.3	757.7	183.4	265.6	133.4	582.4

46. The tax year for the Company being the year ending March 31, 2021, provision for taxation for the year ended December 31, 2020 is aggregate of provision made for three months ended March 31, 2020 and provision based on amounts for remaining nine months ended December 31, 2020, the ultimate tax liability of which will be determined on the basis of figures for the fiscal year April 1, 2020 to March 31, 2021.

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, 2020. The Management believes that the Company's international transactions with associated enterprises post March 31, 2020 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.

In the year 2019 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.

47. Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the company

Exceptional items pertain to provision for stamp duties, professional/consulting fees and other costs incurred pursuant to 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.

48. Revenue (Ind AS 115)

The Company is primarily in the Business of manufacture and sale of bearings. All sales are made at a point in time and revenue recognised upon satisfaction of the performance obligations which is typically upon dispatch/delivery.

A Revenue recognised from Contract liability (Advances from Customers):

Particulars	2020	2019
Closing Contract liability	75.4	105.5

The Contract liability outstanding at the beginning of the year has been recognised as revenue during the year ended December 31, 2020.

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(₹ in million)

B Reconciliation of revenue as per contract price and as recognised in statement of profit and loss:

Particulars	2020	2019
Revenue as per Contract price	37,610.3	43,428.0
Less: Incentives and rebates	473.4	428.2
Less: Discounts	57.2	57.0
Revenue as per statement of profit and loss	37,079.7	42,942.8

49. Leases

1 Ind AS 116 Transition

Ministry of Corporate Affairs ("MCA") has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. Ind AS 116 requires lessee to recognise assets and liabilities for all the leases which conveys the right to use an asset for a period of time in exchange for consideration. Under Ind AS 17, lease arrangements where risk and rewards incidental to ownership of assets substantially vest to lessors were identified as operating leases. Ind AS 116 requires to recognise depreciation and interest cost instead of rent expenses as hitherto done under Ind AS 17.

Effective January 1, 2020, the Company has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on January 1, 2020 using the modified retrospective approach with no impact to retained earnings on the date of adoption. Accordingly, the comparatives have not been retrospectively adjusted. On transition, the adoption of the new standard resulted in recognition of Right-of-Use asset (ROU) and corresponding lease liability of ₹ 673.4 million for leased assets and ₹ 187.7 million for lease hold land. The effect of this adoption on the profit for the year and earning per share has not been significant. The Company has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss. The weighted average incremental borrowing rate of 4.50% - 5.50% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

Reconciliation of lease commitment under Ind AS 17 and lease liability recognised as at the date of transition i.e. 1st January 2020.

Lease Commitment under Ind AS 17 as at 31 st December 2019	301.1
Discounting of lease payments	(29.9)
Short term lease	(0.8)
Additional leases identified under Ind AS 116	403.0
Lease liability as at the date of transition under Ind AS 116	673.4

2 The Company's significant leasing/licensing arrangements are mainly in respect of residential/office premises. Leases generally have a lease term ranging from 12 months to 120 months. Most of the leases are renewable by mutual consent on mutually agreeable terms.

3 Right-of-use assets by class of assets is as follows.

Particulars	Gross Block			As at 31 Dec 2020	Recognised on the date of Transition to Ind AS 116	Depreciation			Net Block	
	Recognised on the date of Transition to Ind AS 116	Additions	Deductions			For the Year	Deductions	As at 31 Dec 2020	As at 31 Dec 2020	
TANGIBLE ASSETS										
Leasehold Land	187.7	-	-	187.7	-	1.0	-	1.0	-	186.7
Buildings	670.0	26.2	-	696.2	-	85.0	-	85.0	-	611.2
Vehicle	3.4	-	-	3.4	-	3.0	-	3.0	-	0.4
Total	861.1	26.2	-	887.3	-	89.0	-	89.0	-	798.3

Finance costs includes interest expense amounting to ₹ 49.5 millions for the year ended December 31, 2020 on lease liability accounted in accordance with Ind AS 116 "Leases".

Rent expense in Note No. 32 Represents lease charges for short term leases.

Notes to the Financial Statements

for the year ended December 31, 2020

(₹ in million)

4 Lease liabilities

Particulars	As at December 31, 2020
Lease liabilities included in financial position	
Current	84.7
Non current	566.2

50. On account of the spread of COVID-19, the Government of India had imposed a complete nation-wide lockdown on March 24, 2020 leading to shut down of the Company's manufacturing facilities and logistics operations. Since then the Government of India had progressively relaxed lockdown conditions and allowed most of the industries and businesses to resume operations in a phased manner. The Company had resumed its manufacturing facilities post mandatory lockdown. The Company's operations have resumed to near normalcy in second half of 2020 and there is no significant impact of the pandemic on the Company financials for the year ended December 31, 2020. The management is continuously and closely monitoring the developments and possible effects that may result from the current pandemic on its financial condition, liquidity and operations and is actively working to minimize the impact of this unprecedented situation.

51. The financial statement are approved for issued by the Board of Directors in their meeting held on February 16, 2021.

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: Mumbai
 Date: February 16, 2021

For and on behalf of the Board of Directors

Avinash Gandhi
 Chairman
 DIN: 00161107

Satish Patel
 Director-Finance & CFO
 DIN: 00690869

Place: New Delhi
 Date: February 16, 2021

Harsha Kadam
 Managing Director
 DIN: 07736005

Ashish Tiwari
 VP - Legal & Company Secretary

Notice of the AGM

To
The Members
Schaeffler India Limited

Notice is hereby given that the 58th Annual General Meeting of **SCHAEFFLER INDIA LIMITED** ('Company') will be held on Tuesday, April 27, 2021 at 3:30 p.m. IST through Video Conferencing ('VC')/Other Audio Visual Means ('OAVM') to transact the following businesses:

Ordinary Business

- To receive, consider and adopt the Financial Statements including Balance Sheet as at December 31, 2020 and the Statement of Profit and Loss for the financial year ended on that date along with Directors' and Auditors' Report thereon.
- To declare Dividend on Equity Shares for the financial year ended December 31, 2020.
- To appoint a Director in place of Mr. Satish Patel [DIN: 00690869], who retires by rotation and being eligible offers himself for re-appointment.
- To appoint a Director in place of Mr. Dharmesh Arora [DIN: 05350121], who retires by rotation and being eligible offers himself for re-appointment.
- To appoint Statutory Auditors and authorise Board of Directors to fix remuneration of M/s. Walker Chandiook & Co LLP, Chartered Accountants, (Firm Registration Number: 001076N/N500013) for a term five consecutive years.

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, M/s. Walker Chandiook & Co LLP, Chartered Accountants [Firm Registration Number: 001076N/N500013], who have confirmed their eligibility for appointment, be and is hereby appointed as the Statutory Auditors of the Company for a term of five consecutive years i.e., from conclusion of the 58th Annual General Meeting upto the conclusion of 63rd 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 M/s. Walker Chandiook & Co LLP, Chartered Accountants, (Firm Registration Number: 001076N/N500013), as Statutory Auditors 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."

Special Business

- Appointment of Ms. Eranti V. Sumithasri [DIN: 07087197] 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), Ms. Eranti V. Sumithasri [DIN: 07087197], who has been appointed as an Additional Director of the Company by the Board of Directors with effect from July 15, 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 she 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 her 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 upto July 14, 2025.

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."

- To approve Material Related Party Transactions with Schaeffler Technologies AG & Co. KG, Germany

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 Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in accordance with the applicable provisions of the Companies Act, 2013, if any, read with rules made thereunder, approval of the members of the Company be and is hereby accorded to Material Related Party Transactions with "Schaeffler Technologies AG & Co.

KG", Germany for the projected amount of 2021 i.e. ₹ 13,273 million for the year 2021 as under –

Schaeffler Technologies AG & Co. KG, Germany/Nature of Transactions	Actual 2020	Maximum Limit 2021	Projection 2021
SAP, other IT systems and connectivity cost	334	401	350
Expat Cost	9	11	5
Deputation, Travelling, Training, Testing, Support Fees & Other Cost	43	52	50
Fees for use of technology/trademark	743	892	970
Payment on behalf of related parties	19	23	13
Purchase of Finished Goods	4,921	5,905	6,560
Purchase of Raw Materials and Components/Spares	2,037	2,445	2,600
Sale of Finished Goods	1,138	1,366	2,500
Service Income received	11	13	30
Purchase of Tangible Fixed Assets	203	243	195
Total	9,458	11,351	13,273

RESOLVED FURTHER THAT the Key Managerial Personnel of the Company, be and are hereby authorised to do all acts, deeds, matters and things to give effect to this resolution."

- 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 ₹ 2,25,000 (Rupees Two Lakh Twenty Five Thousand Only) 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, 2021, be and is hereby ratified.

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."

- To shift the Registered Office of the Company from Mumbai to Pune within the State of Maharashtra

To consider and if thought fit, to pass, with or without modification, the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 12 and other applicable provisions, if any, of the Companies Act, 2013 (the "Act") read with Rule 28 of the Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), and subject to approval of the Central Government (powers delegated to Regional Director) and/or any other authority(ies) as may be prescribed from time to time, and subject to such other approvals, permissions and sanctions, as may be required under the provision of the said Act or any other law for time being in force, consent of the members of the Company be and is hereby accorded for shifting the registered office of the Company from Nariman Bhavan, 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai – 400 021, Maharashtra, India located in the State of Maharashtra under the jurisdiction of Registrar of Companies Mumbai, (ROC Mumbai) to 15th Floor, ASTP (Amar Sadanand Tech Park) Baner, Pune – 411045, Maharashtra, India, located in the State of Maharashtra under the jurisdiction of Registrar of Companies, Pune (ROC Pune).

RESOLVED FURTHER THAT subject to the aforesaid confirmation/approval, the existing Registered Office Clause (Clause ii) of the Memorandum of Association of the Company be substituted with the following clause:

ii. The Registered office of the Company will be situated in the State of Maharashtra under the jurisdiction of Registrar of Companies, Pune.

RESOLVED FURTHER THAT any of the Key Managerial Personnel of the Company be and is hereby authorised to sign the petition, application, affidavit, declaration and such other documents as may be necessary and also to authenticate and digitally sign and file necessary eForms with the Regional Director, Ministry of Corporate Affairs, Western Region, Mumbai, ROC Mumbai/Pune and such other applicable authorities and to do such other acts, deeds and things as may be necessary to give effect to above resolution.

By Order of the Board
Ashish Tiwari

New Delhi: February 16, 2021 VP-Legal & Company Secretary

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, April 13, 2020 and January 13, 2021 (collectively referred to as 'MCA Circulars') allowed to hold the Annual General Meeting (AGM) through Video Conferencing (VC)/Other Audio Visual Means (OAVM). 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 58th 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 Shareholders will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
3. 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 Wednesday, April 21, 2021 to Tuesday, April 27, 2021 (both days inclusive) to determine entitlement of dividend on equity shares.
4. 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 Tuesday, April 20, 2021.
 - 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 Tuesday, April 20, 2021.
5. 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 2013 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.
6. Pursuant to the Finance Act, 2020, dividend income is taxable in the hands of Shareholders w.e.f. 1st April, 2020 and Company is required to deduct tax at source on payment of dividend at the prescribed rates. The Shareholders are requested to refer the Finance Act, 2020 and amendments thereof for prescribed rates for various

categories of Shareholders. The Company shall send the email in this regard to all the Shareholders whose email id is registered with RTA or Depository Participant.

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 7 (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 Dividend Amount remaining 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, securities of listed companies can only be transferred in dematerialized form with effect from April 1, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to convert their holdings to dematerialized form. Members can contact the Company or Company's RTA for assistance in this regard.
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 Circulars, Notice of the AGM along with the Annual Report 2020 is being sent only through electronic mode to those Members whose email IDs are registered with the Company/Depositories. Members may note that the Notice of AGM and Annual Report 2020 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) & National Stock Exchange of India Limited (www.nseindia.com) and on the website of NSDL (www.evoting.nsdl.com).

Voting through Electronic means

11. 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 scrutiniser 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, April 20, 2021, may cast their vote electronically. The e-voting period will commence from Saturday, April 24, 2021 at 9:00 a.m. (IST) and will end at 5:00 p.m. (IST) on Monday, April 26, 2021. The remote e-voting module will be disabled on April 26, 2021 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 April 20, 2021.

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, April 20, 2021, may obtain User ID and password by sending a request to the NSDL, email ID: evoting@nsdl.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/>

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 authorised signatory(ies) who are authorised to vote, to the

Scrutiniser by e-mail to samdanics@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.
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 1020 990 and 1800 22 44 30 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 30 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 1020 990 and 1800 22 44 30 or contact Ms. Sarita Mote, Assistant Manager – NSDL at evoting@nsdl.co.in.

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 Monday, April 19, 2021 (9:00 a.m. IST) to Wednesday, April 21, 2021 (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 58th 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. Shareholders are requested to register their e-mail address with Link Intime India Private Limited, by clicking the link:
https://linkintime.co.in/emailreg/email_register.html and follow the registration process as guided therein. Shareholders are requested to provide details such as Name, Folio number, Certificate number, PAN, mobile number, e-mail ID, and also upload the image of share certificate and a duly signed request letter (upto 1 MB) in PDF or JPEG format.

2. Alternatively, Members may send a request to the RTA of the Company, Link Intime India Pvt. Ltd. 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
3. Shareholders are requested to register their Bank Details with Link Intime India Private Limited, by clicking the link:
https://linkintime.co.in/emailreg/email_register.html and follow the registration process as guided therein. Shareholders are requested to provide details such as Name, Folio number Certificate number, PAN, e-mail ID along with the copy of the cheque leaf with the first named members name imprinted in the face of the cheque leaf containing bank name and branch, type of account, bank account number, MICR details and IFSC code and a duly signed request letter (upto 1 MB) in PDF or JPEG format.

On submission of the details for registration of e-mail ID/bank account an OTP will be received by the Shareholder which needs to be entered in the link for verification. In case of any query, a Shareholder may send an e-mail to RTA at rnt.helpdesk@linkintime.co.in or vadodara@linkintime.co.in.

4. 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 April 13, 2021 (9:00 a.m. IST) to April 20, 2021 (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 No. 5 under 'Ordinary Business' and under Section 102 of the Companies Act, 2013 in respect of Item Nos. 6,7,8 and 9 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.
18. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form should submit their PAN to the Company/R&T Agent.

Statement under Section 102 of the Companies Act, 2013 relating to Special Business mentioned in the Notice convening the 58th Annual General Meeting:

ITEM No. 5. Appointment of Statutory Auditors

M/s. B S R & Co. LLP Chartered Accountants [Firm Registration Number: 101248W/W-100022] ('BSR') has completed their term as Statutory Auditors. The Board of Directors has recommended the appointment of M/s. Walker Chandiook & Co LLP, Chartered Accountants, as Statutory Auditors of the Company for a period of five years, commencing from the conclusion of 58th AGM till the conclusion of the 63rd AGM, subject to approval of Shareholders.

M/s. Walker Chandiook & Co LLP, Chartered Accountants, have consented to the said appointment and confirmed that their appointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be appointed as Statutory Auditors in terms of the provisions of the proviso to Section 139(1), Section 141(2) and Section 141(3) of the Act and the provisions of the Companies (Audit and Auditors) Rules, 2014.

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): ₹ 6.8 million plus applicable taxes and reimbursement of travelling and other out-of-pocket expenses actually incurred by them in connection with the audit of accounts of the Company.
- B. Terms of appointment:
Appointment as Statutory Auditors of the Company from conclusion of 58th AGM up to conclusion of 63rd 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: Nil
- D. Basis of recommendation for appointment: The Board of Directors and Audit Committee have considered various evaluation criteria with respect to skillset, governance & competitiveness and recommend their appointment to the Shareholders of the Company.
- E. Credentials of the Statutory Auditors proposed to be appointed: M/s. Walker Chandiook & Co LLP was established on January 1, 1935 and converted to a Limited Liability Partnership firm on March 25, 2014 and has a registered office at L-41, Connaught Circus, New Delhi-110 001. The firm is registered with The Institute of Chartered Accountants of India and empaneled on the Public Company Accounting Oversight Board and Comptroller & Auditor General of India. The firm provides professional services like auditing, taxation,

and management consultancy services to clients in India. The firm has 47 Partners and over 1,255 personnel operating from 13 offices in 11 cities [Bengaluru, Chandigarh, Chennai, Delhi (2 offices, including head office) Gurgaon, Hyderabad, Kolkata, Mumbai, (2 offices), Noida, Pune, Kochi].

M/s. Walker Chandiook & Co LLP have provided confirmation that they have subjected themselves to peer review process of the Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the 'Peer Review Board of ICAI'. The Company has received their eligibility and willingness for their proposed appointment for the period from conclusion of the 58th Annual General Meeting upto the conclusion of 63rd Annual General Meeting of the Company.

None of the Directors/Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise in the resolution set out at item No. 5 of the notice.

The Board recommends the resolution set forth in item No. 5 of the notice for approval of the members.

ITEM No. 6. Appointment of Ms. Eranti V. Sumithasri [DIN: 07087197] as Director

On the recommendation of the Nomination and Remuneration Committee, the Board of Directors vide its circular resolution appointed Ms. Eranti V. Sumithasri as an Additional Director effective July 15, 2020. Pursuant to provisions of Section 161 of the Companies Act, 2013, Ms. Eranti V. Sumithasri holds office upto the date of this Annual General Meeting. The Company has received notice from a member, proposing her candidature for the office of Director under Section 160 of the Companies Act, 2013.

Ms. Eranti Sumithasri has done her Master of Science, Computer Science & Engineering, University of Connecticut, USA (1996) and Bachelor of Engineering, Computer Science, University Visvesvaraya College of Engineering, India (1993) and has 25+ years of experience in business leadership, technology, consulting and financial services industry. She has held various roles in technology companies: global line-of-service leadership, CXO collaboration, P&L ownership, large account management, business consulting and product development. She possesses multi-cultural experience of living and working in various countries including Germany, USA, UK, and The Netherlands.

Ms. Eranti Sumithasri has given a declaration to the Board that she 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, Ms. Sumithasri fulfils the conditions specified in the Companies Act, 2013 and rules made thereunder for her appointment as an Independent Director of the Company and is independent of the management. The Board considers that her association would be of immense benefit to the Company and it is desirable to appoint Ms. Sumithasri as an Independent Director.

The details of Ms. Sumithasri 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.

The terms and conditions of appointment of Independent Director applicable to Ms. Eranti Sumithasri are available on the website of the Company.

A copy of the Letter of Appointment of Ms. Eranti Sumithasri 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 Ms. Sumithasri, 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. To approve Material Related Party Transactions with Schaeffler Technologies AG & Co. KG, Germany

In order to sustain quality standards of the Schaeffler Group, quantitative benefits, ease of customer reach, global representation and in the best interest of the Company and its Shareholders, material transactions of the Company pertaining to sale, purchase or supply of goods, materials & services have been undertaken since long with Schaeffler Group Company, i.e. Schaeffler Technologies AG & Co. KG, Germany ('Schaeffler Technologies').

The Shareholders of the Company at their 56th Annual General Meeting held on April 30, 2019, had approved Material Related Party Transactions with Schaeffler Technologies AG & Co. KG, Germany for a period up to year 2022 with an increase of 20% in the value of transactions on a 'year on year' basis. The actual value of Material Related Party Transactions with Schaeffler Technologies AG & Co. KG, Germany for the year 2020 was much lower than the projected value of said transactions due to slowdown attributable to the impact of COVID -19 pandemic. However, due to strong business recovery thereafter, the projected value of Material Related Party Transactions with Schaeffler Technologies AG & Co. KG, Germany for the year 2021 is higher than the actual value of transactions during the year 2020 together with the increase by 20% as approved by the Shareholders. The projected value of Material Related Party Transactions with Schaeffler Technologies AG & Co. KG, Germany for the year 2021 is estimated to be ₹ 13,273 million. Hence, it is proposed to obtain the Shareholders' approval in the ensuing Annual General Meeting for the increased limit i.e. ₹ 13,273 million. Thereafter, a year on year increase of 20% in the total amount of transactions upto 2022 remains the same as per the resolution passed in the 56th Annual General Meeting held on April 30, 2019.

A summary of transactions carried out with Schaeffler Technologies AG & Co. KG, Germany during the financial year 2020, maximum limit of 2021, projection as per Budget 2021 are as under:

Schaeffler Technologies AG & Co. KG, Germany/Nature of Transactions	Actual 2020	Maximum Limit 2021	
		Projection 2021	Projection 2021
		(₹ in million)	
		Increase of 20% over actual transactions of 2020	
SAP, other IT systems and connectivity cost	334	401	350
Expat Cost	9	11	5
Deputation, Travelling, Training, Testing, Support Fees & Other Cost	43	52	50
Fees for use of technology/trademark	743	892	970
Payment on behalf of related parties	19	23	13
Purchase of Finished Goods	4,921	5,905	6,560
Purchase of Raw Materials and Components/Spares	2,037	2,445	2,600
Sale of Finished Goods	1,138	1,366	2,500
Service Income received	11	13	30
Purchase of Tangible Fixed Assets	203	243	195
Total	9,458	11,351	13,273

Pursuant to provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in accordance with the applicable provisions of the Companies Act, 2013, if any, read with rules made thereunder, all Material Related Party Transactions require approval of the members through an ordinary resolution where none of the related parties can vote to approve such transactions. Therefore, approval of the Members of the Company is sought through an Ordinary Resolution. The Audit Committee and Board of Directors have considered that these transactions are in ordinary course of business, on arm's length basis and in the interest of the Company and accordingly, recommend to the Members for their approval by way of an Ordinary Resolution.

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 at item no. 7 of the Notice except to the extent of their directorship or shareholding or employment in the Company or in Schaeffler Technologies or any other Schaeffler Group Company, as the case may be, if any.

The Board recommends the Resolution under item no. 7 of the Notice for approval of the Members as an Ordinary Resolution.

ITEM No. 8. 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 16, 2021 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, 2021.

The Audit Committee and the Board of Directors of the Company have approved a remuneration of ₹ 2,25,000 (Rupees Two Lacs Twenty Five Thousand only) excluding all taxes and reimbursement of out of pocket expenses for the year 2021.

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. 8 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, 2021.

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. 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. To shift the Registered Office of the Company from Mumbai to Pune within the State of Maharashtra

The registered office of the Company is presently situated at Mumbai at Nariman Bhavan, 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai – 400 021, Maharashtra, India since its inception. The Company has set up its Corporate Office at Pune in September 2019. The senior management as well as the corporate secretarial team operates from the Corporate Office, Pune. In order to provide effective and efficient services to the investors, it is proposed to shift the registered office from Mumbai to Pune, Maharashtra at 15th Floor, ASTP (Amar Sadanand Tech Park) Baner, Pune-411045, Maharashtra, India subject to approval of the Members of the Company. Considering the overall interest of the Company, Shareholders & other stakeholders and, the fact that this proposal will not be detrimental to the interest of members of the public, Shareholders, creditors or employees, in any manner whatsoever, the Board of Directors, at its meeting held on February 16, 2021, approved the shifting of

the registered office of the Company from Mumbai jurisdiction of Registrar of Companies (RoC) to Pune jurisdiction of Registrar of Companies (RoC), within the State of Maharashtra.

In accordance with Section 12 and other applicable provisions, if any, of the Companies Act, 2013 (the "Act") read with Rule 28 of the Companies (Incorporation) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), shifting of registered office from the jurisdiction of one ROC to another ROC within same state and alteration of the Registered Office Clause (Clause II) of the Memorandum of Association (the "MOA") of the Company requires the approval of the Members of the Company by means of a Special Resolution and approval of the Central Government (power delegated to Regional Director).

The shifting of the registered office, as proposed and approved by the Board of Directors, is in the best interest of the Company, its members and the concerned stakeholders to exercise better administrative and economic control and enable the Company to rationalize and streamline its operations as well as the management of affairs and is not prejudicial to the interest of all the stakeholders. Accordingly, approval of the members of the Company is being sought by way of a Special resolution for shifting of the registered office from Mumbai to Pune and consequential amendment to Memorandum of Association.

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 Special Resolution set out in Item No. 9 of the Notice except to the extent to their shareholding in the Company, if any.

By Order of the Board

Ashish Tiwari

New Delhi: February 16, 2021 VP-Legal & Company Secretary

Schaeffler India Limited

Regd. Office: Nariman Bhavan, 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021, Maharashtra, India.
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E-mail: investorsupport.in@schaeffler.com;
website: www.schaeffler.co.in

Notes



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.

Date: _____ Signature of Sole/First Shareholder _____

Place: _____ Signature of Second/Third Joint Shareholder _____

Multi-year comparison

	Unit	Chart	2020	2019	2018 ^b	2017 ^b	2016
INCOME STATEMENT							
Revenue ^a	₹ mn	1	37,618.4	43,606.3	45,615.1	39,331.4	17,963.2
EBITDA ^c	₹ mn		5,401.3	6,460.8	7,585.4	6,916.9	3,121.6
EBITDA Margin	%		14.4%	14.8%	16.6%	17.6%	17.4%
EBIT ^c	₹ mn	2	3,461.6	4,873.7	6,100.4	5,535.3	2,480.6
EBIT Margin	%		9.2%	11.2%	13.4%	14.1%	13.8%
Earnings before tax ^c	₹ mn		3,972.1	5,346.2	6,749.0	5,933.6	2,993.3
Earnings after tax	₹ mn	3	2,909.7	3,676.4	4,198.0	3,884.9	1,950.6
EPS	₹	7	93.1	117.6	134.3	124.3	117.4
STATEMENT OF FINANCIAL POSITION							
Share Capital	₹ mn		312.6	312.6	312.6	166.2	166.2
Share holder's equity	₹ mn		31,402.9	29,621.6	27,061.2	23,251.6	14,751.6
Total assets	₹ mn		41,514.3	36,452.3	37,673.7	31,803.8	18,537.1
STATEMENT OF CASH FLOWS							
Cash flow from operating activities			6,491.9	5,097.7	2,382.0	4,009.6	1,928.1
Capital expenditure Net (Capex)	₹ mn		(2,376.7)	(3,198.6)	(2,438.5)	(1,343.9)	(930.5)
Financing activities	₹ mn		456.5	536.0	546.6	288.2	444.1
Free cash flow ^d	₹ mn	4	4,571.7	2,435.1	490.1	2,953.9	1,441.7
Current ratio	Times		3.0	3.6	2.6	3.0	3.7
VALUE BASED MANAGEMENT							
Capital employed	₹ mn	5	32,395.5	30,076.5	27,503.4	24,276.9	15,022.2
Average capital employed	₹ mn		31,236.0	28,790.0	25,890.1	19,649.5	14,118.4
Return on capital employed	%		11.1%	16.9%	23.6%	28.2%	17.6%
SHAREHOLDERS							
Number of Shareholders ^e	No.		15,915	21,026	15,435	12,871	10,430
Number of shares	No.		31,260,734	31,260,734	31,260,734	16,617,270	16,617,270
Dividend per share	₹	8	38.0	35.0	30.0	17.0	12.0
Dividend			1,187.9	1,094.1	937.8	282.4	199.4
Share price ^f	₹		4,538.5	4,698.4	5,691.2	5,844.1	3,865.7
Market Capitalisation	₹ mn		141,806.5	146,877.0	177,912.7	97,113.8	64,237.4
Net worth	₹	6	31,402.9	29,621.6	27,061.2	23,251.6	14,751.6
EMPLOYEES							
Employees	No.		2,794	2,846	2,904	2,936	1,525

a Net of excise duty in relevant years

b Figures are derived after giving effect of amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the Company

c Before exceptional items

d Free cash flow: Cash flow from operating activities less net capex add interest income (net)

e Number of Shareholders not clubbed based on unique Permanent Account Number

f Closing share price as on December 31, 2020

Schaeffler India Limited

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