FAG Roller Bearings Private Limited

Financial statements
together with the Auditors' Report
for the year ended 31 December 2012

For FAG Bearings India Limited

Raj Kumar Sarraf
Company Secretary
ICSI M. No.- ACS 155[illegible]

FAG Roller Bearings Private Limited

Financial statements together with Auditors' Report

for the year ended 31 December 2012

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B S R & Co.
(Registered)
Chartered Accountants

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Auditors' Report

To the Members of FAG Roller Bearings Private Limited

We have audited the attached balance sheet of FAG Roller Bearings Private Limited ('the Company') as at 31 December 2012 and the related statement of profit and loss for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

(a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) the balance sheet and the statement of profit and loss dealt with by this report are in agreement with the books of account;

(d) in our opinion, the balance sheet and the statement of profit and loss dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;

(e) on the basis of written representations received from the directors of the Company as at 31 December 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 December 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act; and

FAG Bearings India Ltd. Maneja Vadodara

Auditors' Report *(Continued)*

FAG Roller Bearings Private Limited

(f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) in the case of the Balance sheet, of the state of affairs of the Company as at 31 December 2012; and

(ii) in the case of the statement of profit and loss, of the profit of the Company for the year ended on that date.

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
Date: 31 MAY 2013

FAG Bearings India Ltd. Maneja Vadodara

FAG Roller Bearings Private Limited

Annexure to the Auditors' Report – 31 December 2012

(Referred to in our report of even date)

With reference to the Annexure referred to in our report of even date, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Accordingly, a significant part of fixed assets were physically verified by the management in the current year and no material discrepancies were noticed on such verification.

(c) None of the fixed assets have been disposed off during the year. Accordingly paragraph 1 (c) of the Order is not applicable.

(ii) (a) The inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required under Section 301 of the Act. Accordingly, paragraph 4(iii) of the Order is not applicable.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventory are for the Company's specialised requirements and similarly certain goods sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.

(v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which are required to be entered into the register maintained under Section 301 of the Act.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits covered by the provisions of Section 58A, Section 58AA or other relevant provisions of the Act, and the rules framed there under with regard to deposits accepted from the public. Accordingly, paragraph 4(vi) of the Order is not applicable to the Company.

FAG Bearings India Ltd. Manela Vadodara

FAG Roller Bearings Private Limited

Annexure to the Auditors' Report – 31 December 2012 *(Continued)*

(vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.

(viii) The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Act for products sold or services rendered by the Company.

(ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Customs duty, Excise duty, and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have dues on account of Wealth tax and Investor Education and Protection Fund.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Customs duty, Excise duty, and other material statutory dues were in arrears as at 31 December 2012 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Service tax, Wealth tax, Excise duty and Customs duty, which have not been deposited with the appropriate authorities on account of any dispute.

(x) *The accumulated losses of the Company have exceeded fifty per cent of its net worth as at the end of the year.* The Company has not incurred cash losses during the year; *however, the Company had incurred cash losses in the immediately preceding financial year.*

(xi) In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.

(xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

(xvi) The Company did not have any term loans outstanding during the year.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

FAG Roller Bearings Private Limited

Annexure to the Auditors' Report – 31 December 2012 *(Continued)*

(xviii) As stated in paragraph (iii) above, there are no companies/firms/parties covered in the register required to be maintained under Section 301 of the Act. Accordingly, paragraph 4(xviii) of the order is not applicable to the Company.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
Date: 31 MAY 2013

FAG Bearings India Ltd. Maneja Vadodara

FAG Roller Bearings Private Limited

Balance sheet

as at 31 December 2012

(Currency: Indian Rupees)

	Notes	31 December 2012	31 December 2011
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	174,000,000	44,000,000
Reserves and surplus	3	(117,159,319)	(132,106,640)
		56,840,681	(88,106,640)
Non-current liabilities			
Long-term provisions	4	4,292,601	2,281,586
		4,292,601	2,281,586
Current liabilities			
Short-term borrowings	5	11,957,110	61,734,052
Trade payables	6	97,113,996	53,480,079
Other current liabilities	7	83,675,207	211,199,615
Short-term provisions	8	399,509	204,131
		193,145,822	326,617,877
TOTAL		254,279,103	240,792,823
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	9	23,440,168	20,445,946
Intangible assets	9	-	-
Capital work-in-progress	9	-	2,167,670
Long term loans and advances	10	1,150,854	1,129,311
		24,591,022	23,742,927
Current Assets			
Inventories	11	125,739,373	133,001,786
Trade receivables	12	42,272,827	12,058,033
Cash and bank balances	13	44,237,175	51,316,687
Short-term loans and advances	14	16,408,652	20,566,268
Other current assets	15	1,030,054	107,122
		229,688,081	217,049,896
TOTAL		254,279,103	240,792,823
Significant accounting policies	1		
Notes to the financial statements	23-34		

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

As per our report of even date attached.

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
Date: 31 MAY 2013

For and on behalf of the Board of Directors of
FAG Roller Bearings Private Limited

Satish Patel
Director

Sunil Shanware
Director

Vadodara
Date: 27 MAY 2013

FAG Bearings India Ltd. Mandia Vadodara

FAG ROLLER BEARINGS PVT. LTD. VADODARA

FAG Roller Bearings Private Limited

Statement of profit and loss

for the year ended 31 December 2012

(Currency: Indian Rupees)

	Notes	31 December 2012	31 December 2011
Revenue from operations	*16*		
Sale of products (gross)		407,284,289	109,255,056
Less: Excise duty		30,287,936	3,680,070
Sale of products (net)		376,996,353	105,574,986
Sale of services		6,597,386	565,813
Other operating revenues		1,065,360	1,470,983
Total		384,659,099	107,611,782
Other income	*17*	2,907,222	954,213
Total revenue		387,566,321	108,565,995
Expenses			
Cost of materials consumed	*18*	265,475,219	169,005,835
Changes in inventories of work-in-progress	*19*	10,815,469	(125,617,838)
Employee benefit expenses	*20*	59,420,309	25,144,410
Finance costs	*21*	5,499,341	7,676,307
Depreciation and amortisation	*9*	2,096,409	1,636,944
Other expenses	*22*	29,312,253	44,292,971
Total expenses		372,619,000	122,138,628
Profit/(loss) before tax		14,947,321	(13,572,633)
Income tax expense			
Current tax		-	-
Deferred tax		-	-
Profit/(loss) for the year		14,947,321	(13,572,633)
Earnings per equity share [Nominal value of share Rs.10 each (2011 : Rs. 10 each)]	*29*		
Basic		2.90	(3.08)
Significant accounting policies	*1*		
Notes to the financial statements	*23-34*		

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

As per our report of even date attached.

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
Date: 31 MAY 2013

For and on behalf of the Board of Directors of
FAG Roller Bearings Private Limited

Satish Patel
Director

Sunil Shanware
Director

Vadodara
Date: 27 MAY 2013

FAG ROLLER BEARINGS PVT. LTD. VADODARA

FAG Bearings India Ltd. Maneja Vadodara

1. Statement of significant accounting policies

A) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards by Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The Company is a Small and Medium Sized enterprise (SMC) as defined in general instructions in respect of Accounting Standards notified under the Companies Act, 1956. Accordingly, the Company has complied with the Accounting Standards in so far as they are applicable to a Small and Medium Sized company.

B) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities at the date of the financial statements and during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

C) Fixed assets

(I) Fixed assets are stated at cost of acquisition or construction (including directly attributable expenses thereto) or at revalued amounts, net of impairment loss if any, less depreciation/ amortisation. Cost includes financing costs of borrowed funds attributable to acquisition or construction of qualifying fixed assets, up to the date the assets are put to use. Acquired intangible assets are recorded at its acquisition price and are amortised over its estimated useful life as per the Company's depreciation / amortisation policy.

(II) Depreciation

a) Tangible assets:

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

ii) In respect of the other assets, depreciation is provided on straight line method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956.

b) Intangible assets:

These are amortised equally over a period of three years.

1. Statement of significant accounting policies *(Continued)*

D) Impairment

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

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

E) Inventory

Inventories are valued at the lower of cost and net realisable value. Cost is ascertained on a moving weighted average basis except for goods in transit which is ascertained on a specific identification basis. Work in progress is valued on full absorption cost basis and includes appropriate share of material, labour and factory overheads.

F) Foreign currency transactions

Initial recognition

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

Conversion

Foreign currency monetary items are reported using the closing rate.

Exchange differences

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

G) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Sales of goods are recognized when significant risks and rewards associated with ownership are transferred to the buyer. Sales are exclusive of sales tax.
(ii) Sales of services are recognised when the service has been provided.
(iii) Interest income is accounted for on a time proportion basis taking into account the amount outstanding and the rate applicable.

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FAG ROLLER BEARINGS PVT. LTD. VADODARA

1. Statement of Significant accounting policies *(Continued)*

H) Employee benefits

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.

Post employment benefit (defined benefit plans):

All employees are covered under Employee's Gratuity Scheme which is a defined benefit plan. All actuarial gains/losses arising during the accounting year are recognised immediately in the Statement of Profit and Loss as income or expense.

Post employment benefit (defined contribution plans):

All employees are covered under contributory provident fund benefit of a contribution of 12% of salary and certain allowances. The defined contributions are charged to Statement of Profit and Loss of the year when the contributions are due.

Long term employee benefits:

Long term employee benefits comprise of compensated absences. These are measured on the basis of year-end actuarial valuation in pursuance of the Company's leave rules.

I) Income and deferred taxes

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

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

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

J) Earnings per share

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

FAG Bearings India Ltd. Manjra Vadodara

FAG ROLLER BEARINGS PVT. LTD. VADODARA

1. Statement of Significant accounting policies *(Continued)*

K) Operating Lease

Lease, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset during the lease term, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and loss on a straight-line basis over the lease term.

L) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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

Contingent Assets are not recognised in the financial statements.

FAG ROLLER BEARINGS PVT. LTD. VADODARA

FAG Bearings India Ltd. Manisja Vadodara

Notes to the financial statements *(Continued)*

as at 31 December 2012

(Currency: Indian Rupees)

	31 December 2012	31 December 2011
2 Share capital		
Authorised		
20,000,000 (31 December 2011: 5,000,000) equity shares of Rs. 10/- each	**200,000,000**	50,000,000
	200,000,000	50,000,000
Issued, subscribed and paid-up		
17,400,000 (31 December 2011: 4,400,000) equity shares of Rs. 10/- each	**174,000,000**	44,000,000
	174,000,000	44,000,000

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

	As at 31 December 2012		As at 31 December 2011	
	Number	Amount	Number	Amount
Equity shares				
Shares outstanding at the beginning of the year	4,400,000	44,000,000	4,400,000	44,000,000
Shares issued on 11 December 2012	13,000,000	130,000,000	-	-
Shares outstanding at the end of the year	17,400,000	174,000,000	4,400,000	44,000,000

Rights, preferences and restrictions attached to equity shares

(i) The company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of shareholders are in proportion to its share of paid up equity capital of the Company.

(ii) On winding up of the company, the holders of equity shares will be entitled to receive the residual assets of the Company.

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

Name of Shareholder	As at 31 December 2012		As at 31 December 2011	
	No. of Shares held	Amount	No. of Shares held	Amount
INA Bearings India Private Limited	8,526,000	85,260,000	2,156,000	21,560,000
FAG Kugelfischer GmbH	4,524,000	45,240,000	1,144,000	11,440,000
FAG Bearings India Limited	4,350,000	43,500,000	1,100,000	11,000,000
	17,400,000	174,000,000	4,400,000	44,000,000

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

Name of Shareholder	As at 31 December 2012		As at 31 December 2011	
	No. of Shares held	% of total shares	No. of Shares held	% of total shares
INA Bearings India Private Limited	8,526,000	49%	2,156,000	49%
FAG Kugelfischer GmbH	4,524,000	26%	1,144,000	26%
FAG Bearings India Limited	4,350,000	25%	1,100,000	25%

FAG Bearings India Ltd. Maneja Vadodara

FAG ROLLER BEARINGS PVT. LTD. VADODARA

Notes to the financial statements *(Continued)*

as at 31 December 2012

(Currency: Indian Rupees)

		31 December 2012	31 December 2011
3	**Reserves and surplus**		
	Surplus (profit and loss balance)		
	At the commencement of the year	**(132,106,640)**	(118,534,007)
	Add: Net profit/(loss) for the current year	**14,947,321**	(13,572,633)
	Total	**(117,159,319)**	(132,106,640)
4	**Long-term provisions**		
	Provision for employees benefits		
	Leave encashment	**3,384,728**	1,827,488
	Gratuity	**907,873**	454,098
	Total	**4,292,601**	2,281,586
5	**Short-term borrowings**		
	Loans and advances from related parties		
	- Loans and advances from FAG Bearings India Limited	**11,957,110**	52,734,052
	- Loans from INA Bearings India Private Limited	**-**	9,000,000
		11,957,110	61,734,052

Of the opening balance of loan as at 31 December 2011 from FAG Bearings India Limited (group company), Rs. 32,500,000 is settled by issue of equity shares during the year and Rs. 59,50,000 is repaid on 01/11/2012. The loan carries interest @ 10% per annum.

Loan of Rs. 9,000,000 from INA Bearings India Private Limited (group company) is settled by conversion in to equity shares on 01/11/2012. The loan carried interest @ 10% per annum.

6	**Trade payables**		
	Trade payables	**97,113,996**	53,480,079
	For dues to micro and small suppliers, refer note 31	**-**	-
	Total	**97,113,996**	53,480,079
7	**Other current liabilities**		
	Employee liabilities		
	- ESIC payable	**16,863**	4,573
	- Provident fund payable	**240,168**	-
	- Personnel cost	**87,498**	993
	- Leave travel allowance	**243,906**	214,423
	VAT payable	**345,484**	-
	TDS payable	**366,867**	1,477,531
	Creditors for capital goods	**305,570**	58,748
	Accrued expenses	**1,128,622**	788,398
	Other liabilities	**-**	26,244
	Advance received from customers	**80,940,229**	208,503,705
	Deposits from dealers	**-**	125,000
	Total	**83,675,207**	211,199,615
8	**Short-term provisions**		
	Provision for employees benefits		
	Current portion of Leave encashment	**380,235**	193,698
	Current portion of Gratuity	**19,274**	10,433
	Total	**399,509**	204,131

FAG Bearings India Ltd. Maneja Vadodara

ROLLER BEARINGS PVT. LTD. VADODARA

Notes to the financial statements *(Continued)*

as at 31 December 2012

(Currency: Indian Rupees)

9 Fixed assets

Tangible fixed assets

	Plant and Equipment	Furnitures and Fixtures	Data Processing Equipment	Office Equipments	Total
Gross block					
Balance as at 1 January 2010	22,623,801	555,241	1,880,038	292,157	25,351,237
Additions	548,385	101,940	-	-	650,325
Disposals	-	-	-	-	-
Balance as at 31 December 2010	**23,172,186**	**657,181**	**1,880,038**	**292,157**	**26,001,562**
Balance as at 1 January 2011	23,172,186	657,181	1,880,038	292,157	26,001,562
Additions	2,158,511	2,259,288	2,433,810	26,874	6,878,483
Disposals	-	-	-	-	-
Balance as at 31 December 2011	**25,330,697**	**2,916,469**	**4,313,848**	**319,031**	**32,880,045**
Balance as at 1 January 2012	25,330,697	2,916,469	4,313,848	319,031	32,880,045
Additions	3,615,313	881,073	520,146	74,099	5,090,631
Disposals	-	-	-	-	-
Balance as at 31 December 2012	**28,946,010**	**3,797,542**	**4,833,994**	**393,130**	**37,970,676**
Depreciation					
Balance as at 1 January 2010	7,803,150	297,496	1,228,787	101,384	9,430,817
Depreciation for the year	1,072,285	96,965	185,638	11,450	1,366,338
Balance as at 31 December 2010	8,875,435	394,461	1,414,425	112,834	10,797,155
Balance as at 1 January 2011	8,875,435	394,461	1,414,425	112,834	10,797,155
Depreciation for the year	1,133,394	95,461	369,765	38,324	1,636,944
Balance as at 31 December 2011	**10,008,829**	**489,922**	**1,784,190**	**151,158**	**12,434,099**
Balance as at 1 January 2012	10,008,829	489,922	1,784,190	151,158	12,434,099
Depreciation for the year	1,284,438	186,858	613,054	12,059	2,096,409
Balance as at 31 December 2012	**11,293,267**	**676,780**	**2,397,244**	**163,217**	**14,530,508**
Net Block					
As At 31 December 2011	**15,321,868**	**2,426,547**	**2,529,658**	**167,873**	**20,445,946**
As At 31 December 2012	**17,652,743**	**3,120,762**	**2,436,750**	**229,913**	**23,440,168**

FAG ROLLER BEARINGS PVT. LTD. VADODARA

FAG Bearings India Ltd. Manreja Vadodara

Notes to the financial statements *(Continued)*

as at 31 December 2012

(Currency: Indian Rupees)

9 Fixed assets *(Continued)*

Intangible fixed assets

	Non compete fees	Total
Gross block		
Balance as at 1 January 2010	10,000,000	10,000,000
Balance as at 31 December 2010	**10,000,000**	**10,000,000**
Balance as at 1 January 2011	10,000,000	10,000,000
Balance as at 31 December 2011	**10,000,000**	**10,000,000**
Balance as at 1 January 2012	10,000,000	10,000,000
Balance as at 31 December 2012	**10,000,000**	**10,000,000**
Amortisation and impairment losses		
Balance as at 1 January 2010	10,000,000	10,000,000
Balance as at 31 December 2010	10,000,000	10,000,000
Balance as at 1 January 2011	10,000,000	10,000,000
Balance as at 31 December 2011	**10,000,000**	**10,000,000**
Balance as at 1 January 2012	10,000,000	10,000,000
Balance as at 31 December 2012	**10,000,000**	**10,000,000**
Net Block		
As At 31 December 2011	-	-
As At 31 December 2012	-	-

Capital work in progress

Tangible	Plant and Equipment	Furnitures and Fixtures	Data Processing Equipment	Office Equipment	Total
Balance as at 1 January 2010	2,190,170	-	3,780	-	2,193,950
Additions	525,885	101,940	36,120	-	663,945
Assets capitalised during the year	548,385	101,940			650,325
Balance as at 31 December 2010	**2,167,670**	**-**	**39,900**	**-**	**2,207,570**
Balance as at 1 January 2011	2,167,670	-	39,900		2,207,570
Additions	2,158,511	2,259,288	2,393,910	26,874	6,838,583
Assets capitalised during the year	2,158,511	2,259,288	2,433,810	26,874	6,878,483
Balance as at 31 December 2011	**2,167,670**	**-**	**-**	**-**	**2,167,670**
Balance as at 1 January 2012	2,167,670	-			2,167,670
Additions	1,447,643	881,073	520,146	74,099	2,922,961
Assets capitalised during the year	3,615,313	881,073	520,146	74,099	5,090,631
Balance as at 31 December 2012	-	-	-	-	-

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FAG Bearings India Ltd. Maneja Vadodara

Notes to the financial statements *(Continued)*

as at 31 December 2012

(Currency: Indian Rupees)

		31 December 2012	31 December 2011
10	**Long-term loans and advances**		
	(unsecured and considered good)		
	Security deposits	**966,790**	966,790
	Balance with tax authorities		
	TDS receivable	**184,064**	162,521
	Total	**1,150,854**	1,129,311
11	**Inventories**		
	(Valued at the lower of cost and net realisable value)		
	Raw materials	**8,427,740**	6,815,614
	Work-in-progress	**114,922,093**	125,737,562
	Stores and spares	**1,680,348**	448,610
	Goods-in-transit	**709,192**	-
	Total	**125,739,373**	133,001,786
12	**Trade recievables**		
	Trade receivables outstanding for a period exceeding six months from the date they became due for payment		
	Unsecured, considered good	**18,419,108**	12,058,033
	Doubtful	**161,784**	161,784
	Less: Provision for doubtful debts	**(161,784)**	(161,784)
	(A)	**18,419,108**	12,058,033
	Other receivables		
	Unsecured, considered good	**23,853,719**	-
	(B)	**23,853,719**	-
	Total	**42,272,827**	12,058,033
13	**Cash and bank balances**		
	Cash and cash equivalents		
	Cash on hand	**12,196**	13,670
	Balances with banks		
	On current accounts	**4,224,979**	1,303,017
		4,237,175	1,316,687
	Other bank balances	**40,000,000**	50,000,000
		44,237,175	51,316,687
	Details of other bank balances/deposits		
	Bank deposits due to mature within 12 months of the reporting date are included under 'Other bank balances'	**40,000,000**	50,000,000
	Total	**40,000,000**	50,000,000

FAG Bearings India Ltd. Maneja Vadodara

FAG ROLLER BEARINGS PVT. LTD. VADODARA

Notes to the financial statements *(Continued)*

as at 31 December 2012

(Currency: Indian Rupees)

	31 December 2012	31 December 2011
14 Short terms loans and advances		
(unsecured, considered good)		
Security deposits	**309,000**	198,000
Balance with tax authorities		
Service tax credit receivable	**4,902,177**	3,009,720
CENVAT credit receivable	**8,450,624**	10,736,501
VAT receivable	**-**	3,585,499
Advances to employees	**147,297**	156,018
Balance with The New India Assurance Co Ltd	**45,231**	33,045
Sundry prepayments - Insurance	**272,429**	166,758
Advances for supply of goods	**1,158,908**	2,680,727
(A)	**15,285,666**	20,566,268
To related parties		
(unsecured, considered good)		
Advance recoverable from associate company	**1,122,986**	-
(B)	**1,122,986**	-
Total (A+B)	**16,408,652**	20,566,268

Advance recoverable represents advances given to Schaeffler Technology an associate company Rs. 1,122,986 (2011: Nil).

15 Other current assets		
(unsecured, considered good)		
Export incentive receivable	**145,122**	-
Accrued interest on fixed deposits	**884,932**	107,122
Total	**1,030,054**	107,122

FAG ROLLER BEARINGS PVT. LTD. VADODARA

FAG Bearings India Ltd. Manisha Vadodara

		31 December 2012	31 December 2011
16	**Revenue from operations**		
	Sale of products		
	Finished goods	407,284,289	109,255,056
	Less: Excise duty	30,287,936	3,680,070
	Sale of products (net)	376,996,353	105,574,986
	Sale of services - Installation service income	6,597,386	565,813
	Other operating revenues		
	Packing charges	69,000	-
	Scrap sales	-	1,470,983
	Export incentives	996,360	-
	Total	1,065,360	1,470,983
	Break up of revenue from sale of products	384,659,099	107,611,782
	Manufactured goods (net of excise)*		
	Sale of machines	376,996,353	105,574,986
17	**Other income**		
	Interest income on fixed deposits	1,544,592	954,213
	Net gain on account of foreign exchange fluctuations (net)	1,358,448	-
	Other non-operating income	4,182	-
	Total	2,907,222	954,213
18	**Cost of materials consumed**		
	Inventory of materials at the beginning of the year	6,815,614	1,908,000
	Purchases	267,796,537	173,913,449
	Inventory of materials at the end of the year	9,136,932	6,815,614
	Total	265,475,219	169,005,835
	Break up of cost of materials consumed		
	Machine parts - Electronic items	261,687,328	168,944,434
	Others	3,787,891	61,401
		265,475,219	169,005,835
	Break up of inventory materials		
	Machine parts - Electronic items	3,847,669	1,180,721
	Others	5,289,263	5,634,893
		9,136,932	6,815,614
19	**Change in inventory of work-in-progress**		
	Opening Stock - Machines	125,737,562	119,724
	Closing Stock - Machines	114,922,093	125,737,562
	Total	10,815,469	(125,617,838)

		31 December 2012	31 December 2011
20	**Employee benefit expenses**		
	Salaries, wages and incentives	56,926,566	23,735,307
	Contribution to provident and other funds		
	-Provident fund	1,970,601	1,158,341
	-Gratuity fund	462,616	247,657
	Staff welfare expenses	60,526	3,105
	Total	59,420,309	25,144,410
21	**Finance cost**		
	Interest on borrowings from related parties	5,499,341	7,676,307
	Total	5,499,341	7,676,307
22	**Other expenses**		
	Stores and spares	251,073	41,111
	Power and fuel	1,313,121	1,154,864
	Bank charges	103,593	140,380
	Communication expenses	75,077	39,019
	Insurance	304,928	183,524
	Lease rent	4,287,000	3,104,868
	Auditors remuneration (Refer note below)	425,000	310,000
	Legal and professional fees	1,294,661	184,699
	Outside services - production related	1,980,227	2,207,953
	Technical consulting charges	1,013,554	987,744
	Technical support charges-group companies	11,566,425	11,347,465
	Outside services - administration	486,915	499,312
	Outside services - electrical expenses	170,245	357,353
	Outside services - IT related	200,527	165,398
	Printing and stationery	4,113	181,648
	Travelling expenses	2,104,426	4,500,102
	Freight and forwarding expenses	3,688,347	3,405,714
	Foreign exchange loss (Net)	-	15,244,322
	Repairs and maintenance	6,025	-
	Rates and taxes	2,400	-
	Other Expenses	34,596	237,493
	Total	29,312,253	44,292,971
	Note: Payments to auditors		
	As auditor		
	Statutory audit	425,000	310,000

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23. Contingent liabilities

The company does not have any contingent liability as at balance sheet date (2011: Rs. NIL)

24. Details of imported and indigenous raw materials, spare parts and components consumed during the financial year

Particulars	Amount (Rs.)	% of Total Consumption
Indigenous	151,853,062 (91,238,066)	57.15% (53.97 %)
Imported	113,873,230 (77,808,880)	42.85% (46.03%)
Total	265,726,292 (169,046,946)	100% (100%)

25. Value of imports on CIF basis

Particulars	Amount (Rs.)
Machine building parts	115,995,150 (74,747,015)
Total	115,995,150 (74,747,015)

26. Expenditure in foreign currency

Particulars	Amount(Rs.)
Technical support fees	11,566,425 (11,030,579)
Travel expenditure	1,512,586 (3,977,452)
Salaries	20,200,607 (1,616,454)
Total	33270618 (16,624,485)

27. Earnings in foreign currency

Particulars	Amount (Rs.)
FOB value of exports	122,718,001 (69,846,166)
Service income	4,361,771 (101,946)
Total	127,079,772 (69,948,112)

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28. Provision for Income tax / Deferred tax

a) No provision has been made for Income tax in the absence of taxable profit in view of brought forward accumulated losses / depreciation

b) Deferred Tax is not recognised against brought forward losses / unabsorbed depreciation in the absence of virtual certainty as to realisation thereof against future profits.

c) The Company's international transactions with associated enterprises are at arm's length as per the independent accountant's report for the year ended 31 March 2012. The Company is in the process of updating the documentation for the international and domestic transactions entered into with the associated enterprises during the period subsequent to 31 March 2012. Management believes that the company's international and domestic transactions with associated enterprises post 31 March 2012 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements particularly on the amount of the tax expense for the year and the amount of the provision for taxation at the year end.

29. Earnings per share (EPS)

		Unit	Year 2012	Year 2011
a)	Profit/(Loss) after tax attributable to equity shareholders	Rs	14,947,321	(13,572,633)
b)	Weighted average number of equity shares	No	5,147,945	4,400,000
c)	Nominal value of share	Rs	10	10
d)	Earnings per share (basic)	No	2.90	(3.08)

30. Related party disclosures as required under AS-18 are given below :

1. Names of the Related parties having transactions with the Company during the year.

Year 2012 Fellow subsidiary/associate companies	Year 2011 Fellow subsidiary/associate companies
Schaeffler Technologies AG & Co. KG, Germany (formally Schaeffler Technologies GmbH & Co. KG, Germany)	Schaeffler Technologies GmbH & Co. KG, Germany
INA Bearings India Private Ltd., India	INA Bearings India Private Ltd., India
FAG Bearings India Ltd., India	FAG Bearings India Ltd., India
LuK India Private Ltd. India	LuK India Private Ltd. India
Schaeffler Portugal S.A., Portugal	Schaeffler Portugal S.A., Portugal
Schaeffler (China) Co. Ltd, China	Schaeffler (China) Co. Ltd. China
Schaeffler (Ningxia) Co. Ltd, China	Schaeffler Vietnam Co Ltd., Vietnam
WPB Water Pump Bearing Gmbh & Co. KG, Italy	
INA Kysuce, a.s. Slovakia	
Schaeffler Vietnam Co Ltd., Vietnam	

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FAG ROLLER BEARINGS PVT. LTD. VADODARA

30. Related party disclosures as required under AS-18 are given below *(Continued)*:

2. Transactions with related parties during the year ended December 31, 2012

Nature of transaction	Fellow subsidiaries/ Associate companies
Issue of equity Shares	130,000,000 (-)
Purchase of raw materials and components/spares	**104,324,451** (60,319,450)
Sale of finished goods	**379,422,949** (105,574,986)
Service income	**6,597,386** (565,813)
Interest on unsecured loan and on current account	**5,493,381** (7,665,841)
Repayment of interest on loan and on current account	**5,149,683** (7,665,841)
Repayment of loan (by way of conversion into equity shares Rs. 41,500,000)	**47,450,000** (20,000,000)
Technical support fees	**11,566,425** (11,030,580)
Lease rent	**3,096,000** (2,556,900)
Reimbursement of salary cost	**20,200,607** (1,616,454)

3. Balances outstanding as at December 31, 2012:

Advance from customers	FAG Bearings India Ltd., India	- (106,090,034)
	Schaeffler Technologies AG & Co. KG, Germany	**4,099,648** (25,452,454)
	INA Bearings India Private Ltd., India	**10,679,957** (17,335,289)
	Schaeffler Portugal S.A., Portugal	- (33,603,978)
	Schaeffler (China) Co. Ltd. China	**66,160,623** (13,963,916)
Advance recoverable	Schaeffler Technologies AG & Co. KG, Germany	**1,122,986** (-)
Trade Receivables	FAG Bearings India Ltd., India	**37,956,985** (-)
Current loan account	FAG Bearings India Ltd., India	**11,957,110** (14,284,052)
Trade payable	Schaeffler Technologies AG & Co. KG, Germany	**83,302,533** (27,503,033)
	INA Kysuce, a.s. Slovakia	**4,108,311** (-)
Unsecured loans	FAG Bearings India Ltd., India	- (38,450,000)
	INA Bearings India Private Ltd., India	- (9,000,000)

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FAG ROLLER BEARINGS PVT. LTD. VADODARA

30. Related party disclosures as required under AS-18 are given below *(Continued)*:

4. The significant related party transactions are as under:

Nature of transactions	Fellow subsidiary/associate companies	Amount
Issue of equity shares	INA Bearings India Private Ltd, India	**63,700,000**
		(-)
	FAG Kugelfischer GmbH, Germany	**33,800,000**
		(-)
	FAG Bearings India Ltd, India	**32,500,000**
		(-)
Purchase of raw materials and components/spares	Schaeffler Technologies AG & Co. KG, Germany	**98,019,583**
		(59,822,409)
	Schaeffler Technologies AG & Co. KG., Schweinfurt, Germany	**3,807,622**
		(497,041)
	Schaeffler Portugal S.A., Portugal	**2,497,246**
		(-)
Sale of finished goods	FAG Bearings India Ltd., India	**246,738,170**
		(35,246,354)
	INA Bearings India Private Ltd., India	**5,605,006**
		(482,466)
	INA Kysuce, a.s., Slovakia	**97,755**
		(361,365)
	Schaeffler Portugal S.A., Portugal	**69,348,982**
		(62,094,566)
	Schaeffler (China) Co. Ltd. China	**31,120,829**
		(7,390,234)
	WPB Water Pump Bearing Gmbh & Co. KG, Italy	**6,574,596**
		(-)
	Schaeffler Technologies AG & Co. KG, Germany	**19,937,610**
		(-)
Technical service fees	Schaeffler Technologies AG & Co. KG, Germany	**11,566,425**
		(11,030,579)
Interest on loan taken and on current account	FAG Bearings India Ltd., India	**4,743,379**
		(5,911,046)
	INA Bearings India Private Ltd, India	**750,002**
		(900,000)
	Luk India Private Ltd, India	-
		(854,795)
Repayment of interest on loan and on current account	FAG Bearings India Ltd., India	**4,399,681**
		(5,911,046)
	INA Bearings India Private Limited, India	**750,002**
		(900,000)
	Luk India Private Ltd, India	-
		(854,795)

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FAG ROLLER BEARINGS PVT. LTD. VADODARA

30. Related party disclosures as required under AS-18 are given below *(Continued)*:

4. The significant related party transactions are as under:

Nature of transactions	Fellow subsidiary/associate companies	Amount
Repayment of loan	FAG Bearings India Ltd., India	**9,000,000**
		(-)
	INA Bearings India Private Limited, India	**38,450,000**
		(-)
	Luk India Private Ltd, India	-
		(20,000,000)
Service income	FAG Bearings India Ltd., India	**2,235,615**
		(463,867)
	Schaeffler Vietnam Co ltd, Vietnam	-
		(101,946)
	Schaeffler Portugal S.A., Portugal	**4,361,771**
Lease rent	FAG Bearings India Ltd., India	-
		3,096,000
Reimbursement of expat cost	Schaeffler Technologies AG & Co. KG, Germany	(2,556,900)
		8,957,113
		(1,616,454)
	INA Kysuce, a.s., Slovakia	**11,243,494**
		(-)

31. Dues to Micro, Small and Medium Enterprises

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

32. Foreign currency exposure as at 31 December 2012:

The Company has not taken any derivative instrument during the year and there is no derivative instrument outstanding as at the year end. The foreign currency exposures that are not hedged by a derivative instrument or otherwise are as follows:

Particulars	Amount in foreign currency		Equivalent amount in Indian currency (Rs)
Creditors	USD	**1,568,834**	**86,287,857**
		(504,645)	(25,759,754)
	EURO	**25,252**	**1,839,414**
		(24,346)	(1,687,874)
Advance received from customers	EURO	-	-
		(484,214)	(33,570,557)
	USD	**12,77,430**	**70,260,271**
		(724,432)	(39,416,370)
Advance given to suppliers	CHF	**188**	**11,405**
		(13,170)	(75,029)

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33. Disclosure under Accounting Standard 15 on employee benefits:

During the year Company has carried out Actuarial Valuation in respect of gratuity and leave encashment pursuant to AS 15 by using Projected Unit Credit Method

The principal actuarial assumptions used are as follows

Particulars	Year 2012	Year 2011
No. of employees	72 Nos.	66 Nos.
Discount rate per annum as at 31st December 2011	8.25% per annum	9.00% per annum
Salary escalation per annum	7% per annum	7% per annum
Mortality	Published Mortality Table LIC(1994-96)	Published Mortality Table LIC(1994-96)
Disability	Nil	Nil
Attrition rate	2% upto age 44 & 1% thereafter	2% upto age 44 & 1% thereafter
Retirement age	58 years	58 years

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

34.

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

As per our report of even date attached.

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

For and on behalf of Board of Directors of
FAG Roller Bearings Private Limited

Vijay Mathur
Partner
Membership No: 046476

Mumbai
Date: 31 MAY 2013

Satish Patel
Director

Sunil Shanware
Director

Vadodara
Date: 27 MAY 2013

FAG ROLLER BEARINGS PVT. LTD. VADODARA

FAG Bearings India Ltd. Maneja Vadodara