

FAG

FAG Bearings India Limited

Feb 11, 2015

To
The Board of Directors
FAG Bearings India Limited

Your ref., your letter dated

Our ref., our letter dated

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SCHAEFFLER

Re.: Report of the Audit Committee of FAG Bearings India Limited ("FAG India") recommending the draft Scheme of Amalgamation of FAG Roller Bearings Private Limited with FAG India.

Gentlemen,

With valid quorum, meeting of Audit Committee of Board of Directors started at 9:00 am with;

MEMBERS PRESENT

Mr. Avinash Gandhi	-	Chairman
Mr. R. Sampath Kumar	-	Member
Dr. Sanak Mishra	-	Member
Mrs. Renu Challu	-	Member

IN ATTENDANCE:

Mr. Rajendra Anandpara	-	Managing Director
Mr. Satish Patel	-	Chief Financial Officer
Mr. Raj Sarraf	-	Company Secretary

1.1 A draft Scheme of Amalgamation of FAG Roller Bearings Private Limited ("FRB") with FAG Bearings India Limited ("FAG India") has been placed before the Audit Committee by the management for the recommendation of the said draft Scheme by the Audit Committee to the Board of Directors of FAG India in accordance with the requirement of SEBI Circular No. CIR/CFD/DIL/5/2013 dated 4th February, 2013 read with SEBI Circular No. CIR/CFD/DIL/8/2013 dated 21st May, 2013 (together the "SEBI Circulars").

1.2 In view of the above, the members of the Audit Committee of the Board of Directors of FAG India have discussed and recommends the draft Scheme vide a resolution passed at its meeting held on February 11, 2015 and have made this Report after perusing the following documents:

- a. Draft Scheme of Amalgamation;
- b. Fairness Opinion dated 7-Feb-2015 issued by M/s Pantomath Capital Advisors (p) Limited, Merchant Banker.

1.3 This Report of the Audit Committee is issued in terms of the SEBI Circulars.

2.1 The Audit Committee has noted that:

- i. FRB is a wholly owned subsidiary of FAG India and is currently engaged in special machines building activities.

FAG Bearings India Limited

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ii. Amalgamation of FRB with FAG India would, *inter alia*, have the following benefits:

- Better focus and concentration on the growth efforts of Bearings business;
- Simplified corporate structure;
- Post the amalgamation of FRB with FAG India, FRB will stand dissolved. Consequently, there would be lesser regulatory and legal compliance obligations including accounting, reporting requirements, statutory and internal audit requirements, tax filings, company law requirements, etc. and therefore reduction in administrative costs;
- Enable cost saving and optimum utilization of valuable resources which will enhance the management focus thereby leading to higher operational efficiency; and
- FRB is engaged in special machines building for bearings manufacturing by group companies (mainly for FAG India) and housed within the premises of FAG India's Plant in Maneja in Vadodara.

2.2 The Audit Committee took note that of the Fairness Opinion and the fact that no shares of FAG India will be issued and allotted pursuant to the proposed Scheme since the entire paid up capital of FRB is wholly owned by FAG India.

2.3 The Audit Committee also took note that since the entire equity shareholding of FRB is held by FAG India, being an internal group restructuring, it does not adversely affect the stakeholders and creditors of FAG India and FRB.

3. In light of the foregoing, the Audit Committee recommends the draft Scheme to the Board of Directors of FAG India for its approval, *inter alia*, taking into consideration the Fairness Opinion dated 7-Feb-2015 issued by M/s Pantomath Capital Advisors (p) Limited, Merchant Banker.

Date: 11-Feb- 2015

Place: Mumbai



Avinash Gandhi
Chairman,
Audit Committee
FAG Bearings India Limited