



August 30, 2017

To,

The Board of Directors/Audit Committee
Schaeffler India Limited,
Nariman Bhavan, 8th Floor,
Nariman Point,
Mumbai – 400021

Sub: Fairness opinion on the Equity Share Exchange Ratio for the proposed amalgamation of INA Bearings India Private Limited ("INA"), and Luk India Private Limited ("LuK") into Schaeffler India Limited ("Schaeffler India" or the "Company")

This has reference to our engagement letter wherein the Company has requested ICICI Securities ('I-Sec') to provide fairness opinion on swap ratio for the purpose of the proposed amalgamation of INA, and Luk into the Company (hereinafter referred to as the "Transaction").

BACKGROUND, PURPOSE AND USE OF THIS REPORT

We understand that the management of Company, INA, and LuK (referred to as "Companies") are proposing to amalgamate INA, and LuK into the Company, with the appointed date as January 1, 2018 (here in after referred to as the "Proposed Transfer").

For the aforesaid purpose, the management of the Company has appointed M/s Grant Thornton India LLP, and Price Waterhouse & Co LLP (jointly referred as "Valuers") to prepare a valuation report on the fair swap ratio for distribution of the Company's shares to the shareholders of INA and LuK. The report is to be placed before the audit committee of the Company, as per the requirement of SEBI Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017.

In this connection we have been requested by the Company to render our professional services by way of a fairness opinion on the swap ratio from a financial point of view to the Board of Directors of the Company through audit committee of the board as to whether the Equity Share Exchange Ratio, as recommended by the Valuers, in their report dated August 29, 2017, and based on the valuation analysis carried out by them, which forms the basis for the Proposed Transfer as per the aforesaid agreement is fair and reasonable.

For Schaeffler India Ltd.


Raj Kumar Sarraf

Company Secretary
ICSI M. No.-ACS 15526

Member of National Stock Exchange of India Ltd. & Bombay Stock Exchange Ltd.
Capital Market : NSE Regn. No. INB 230773037, BSE Regn. No. INB 011286854
Futures & Options : NSE Regn. No. INF 230773037, BSE Regn. No. INF 010773035
Currency Derivatives : NSE Regn. No. INE 230773037
CIN No.: U67120MH1995PLC086241

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This report is intended only for the sole use and information of the Company, and only in connection with the Proposed Transfer including for the purpose of obtaining judicial and regulatory approvals for the Proposed Transfer. We are not responsible in any way to any other person / party for any decision of such person or party based on this report. Any person / party intending to provide finance / invest in the shares / business of any of the Companies or their subsidiaries/joint ventures/associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the Proposed Transfer as aforesaid can be done only with our prior permission in writing. We acknowledge that this report will be shared to the extent as may be required, with the relevant stock exchanges, advisors of the Companies in relation to the Scheme, as well as with the statutory authorities

As per Valuers' recommendation,

- i. The holders of outstanding equity shares of INA will receive Ten (10) fully paid up equity shares of Schaeffler India with the face value of Rs. Ten (10) each for every Sixty Five (65) fully paid up equity shares of INA with the face value of Rs. Ten (10) each.
- ii. The holders of outstanding equity shares of LuK will receive Ten (10) fully paid up equity shares of Schaeffler India with the face value of Rs. Ten (10) each for every Thirty Five (35) fully paid up equity shares of LuK with the face value of Rs. Ten (10) each. ("Equity Share Exchange Ratio")

SOURCES OF INFORMATION

In arriving at the opinion set forth below, we have relied on:

- (a) Document on the Group holding structure of Schaeffler AG
- (b) Shareholding patterns of Company ending June 30, 2017, and INA, and LuK ending December 31, 2016
- (c) Profit and loss account and balance sheet of the Company for the years ending December 31, 2014, 2015, 2016, and June 30, 2017 with the underlying schedules
- (d) Profit and loss account and balance sheet of INA for the years ending December 31, 2012, 2013, 2014, 2015, 2016, and June 30, 2017 with the underlying schedules
- (e) Profit and loss account and balance sheet of LuK for the years ending December 31, 2013, 2014, 2015, 2016, and June 30, 2017 with the underlying schedules
- (f) Contingent liabilities of Company, INA, and LuK as on June 30, 2017
- (g) Installed and production capacities of Company, INA, and LuK for years ending December 31, 2014, 2015, and 2016
- (h) Major raw-material components of the Company
- (i) Industry-wise sales for Company, INA, and LuK for the year ending December 31, 2016
- (j) Income Tax Returns of the Company, INA, and LuK for Assessment Years ending 2015, 2016, and 2017
- (k) Product-wise capacities of Company, INA, and LuK for the years ending December 31, 2015, 2016, and projected capacities for years ending December 31, 2017 to 2022
- (l) Overview of business products of Company, INA, and LuK
- (m) Financial projections of Company, INA, and LuK from January 01, 2017 to December 31, 2024
- (n) Discussions with management of Companies regarding current operations of Companies, future plans, capital expenditure; and

For Schaeffler India Ltd.



Raj Kumar Sarraf,
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- (o) Information, discussions (including orally) and documents as provided by Companies for purpose of this engagement

SCOPE LIMITATIONS

Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

Our work does not constitute an audit, due diligence or certification of the historical financial statements including the working results of the Companies or their businesses referred to in this report. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information referred to in this report.

Our analysis and results are specific to the purpose of the exercise of giving our fairness opinion on the swap ratio for the Proposed Transfer. It may not be valid for any other purpose or if done on behalf of any other entity.

Our analysis and results are also specific to the date of this report and based on information as at August 29, 2017. An exercise of this nature involves consideration of various factors. This report is issued on the understanding that the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of Company, INA and LuK, their businesses, and any other matter, which may have an impact on our opinion, on the swap ratio for the Proposed Transfer, including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses subsequent to the proposed date for the Proposed Transfer. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In the course of the present exercise, we were provided with both written and verbal information, including financial data. The terms of our engagement were such that we were entitled to rely upon the information provided by the Company without detailed inquiry. With respect to the financial forecasts relating to Company, INA, and LuK we have assumed, that they have been reasonably prepared on basis reflecting the best currently available estimates and good faith judgments of the management of the Company, INA, and LuK, respectively, as to the future financial performance of each of the company. Also, we have been given to understand by the Company that it has not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility whatsoever for any errors in the above information furnished by the Company and their impact on the present exercise.

We express no opinion whatever and make no recommendation at all to Company, INA, and LuK's underlying decision to affect the Proposed Transfer or as to how the holders of equity shares or

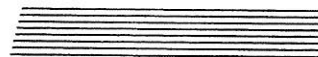
preference shares or secured or unsecured creditors of the Companies should vote at their respective meetings held in connection with the Proposed Transfer. We do not express and should not be deemed to have expressed any views on any other term of the Proposed Transfer. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of the Company will trade following the announcement of the Proposed Transfer or as to the financial performance of the Company following the consummation of the Proposed Transfer.

No investigation of the Companies' claim to title of assets has been made for the purpose of this exercise and the Companies' claim to such rights has been assumed to be valid. No consideration

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Company Secretary
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has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility whatsoever is assumed for matters of a legal nature. Our report is not and should not be construed as our opining or certifying the compliance of the Proposed Transfer with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.

We have not conducted or provided an analysis of due diligence or appraisal of the assets and liabilities of the Companies and have wholly relied on information provided by the Company in that regard.

In the ordinary course of business, ICICI Securities Limited and its affiliates is engaged in securities trading, securities brokerage and investment activities, as well as providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of the ICICI Securities Limited may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Proposed Transfer.

It is understood that this letter is for the benefit of and confidential use by the Board of Directors / Audit Committee of the Company for the purpose of this Proposed Transfer and may not be relied upon by any other person and may not be used or disclosed for any other purpose without obtaining our prior written consent.

RATIONALE & CONCLUSION

We are given to understand by the Companies that the Equity Share Exchange Ratio has been recommended by the Valuers after keeping in mind various factors.

In the circumstances, having regard to all relevant factors and on the basis of information and explanations given to us, we are of the opinion on the date hereof, that the Equity Share Exchange Ratio as recommended by the Valuers, which forms the basis for the Proposed Transfer, is fair and reasonable.

Yours faithfully,
For ICICI Securities Limited,



Anupam Paliwal
Vice President



For Schaeffler India Ltd.


Raj Kumar Garg
Company Secretary
ICSI M. No.-ACS 15526