

Schaeffler India Limited
(Formerly known as FAG Bearings India Limited)
Head Office & Works - P.O. Maneja, Vadodara - 390013, Gujarat, India

REPORT OF THE AUDIT COMMITTEE OF 'SCHAEFFLER INDIA LIMITED' RECOMMENDING THE DRAFT SCHEME OF AMALGAMATION OF 'INA BEARINGS INDIA PRIVATE LIMITED' AND 'LuK INDIA PRIVATE LIMITED' WITH SCHAEFFLER INDIA LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS.

Your reference, your message from Our reference, our message from Phone Fax Date
30.08.2017

Members Present:

- | | | | |
|----|--------------------|---|-------------------|
| 1. | Mrs. Renu Challu | - | Chairperson |
| 2. | Mr. Avinash Gandhi | - | Member |
| 3. | Dr. Sanak Mishra | - | Member |
| 4. | Mr. Rakesh Jinsi | - | Member |
| | Raj Sarraf | - | Company Secretary |

In Attendance:

- | | | | |
|----|----------------------|---|--------------------|
| 1. | Mr. Dharmesh Arora | - | Managing Director, |
| 2. | Mr. Klaus Rosenfeld | - | Director, |
| 3. | Mr. Dietmar Heinrich | - | Director, |
| 4. | Mr. Marcus Eisenhuth | - | Director, |
| 5. | Mr. Satish Patel | - | CFO |

1. Background

- 1.1 A meeting of the Audit Committee of Schaeffler India Limited ("Company" or "Transferee Company") was held on August 30, 2017, to consider and recommend to the Board of Directors of the Company the draft Scheme of Amalgamation amongst INA Bearings India Private Limited ("Transferor Company 1"), LuK India Private Limited ("Transferor Company 2") and the Company and their respective shareholders and Creditors ("Scheme"), for the amalgamation of the Transferor Company 1 and Transferor Company 2 with the Company, to be implemented under Section 230 to Section 232 read with other applicable provisions of the Companies Act, 2013.
- 1.2 The Company is an existing Public Limited Company incorporated under the provisions of the Companies Act, 1956. The registered office of the Company is at 8th Floor, Nariman Bhavan, 227, Backbay Reclamation, Nariman Point, Mumbai - 400021, Maharashtra. The Company is *inter alia* engaged in the development, manufacturing and supply of high precision and high quality rolling bearings - ball, cylindrical, spherical and taper for mechanical engineering, wind energy, railways, aerospace and the automotive industry worldwide and related machine building activities. The equity shares of the Company are listed on BSE Limited and the National Stock Exchange of India Limited.
- 1.3 Transferor Company 1 is a Private Limited Company incorporated under the provisions of the Companies Act, 1956. The registered office of the Transferor Company 1 is at Plot No. A3, Talegaon Industrial Area, Village Navalakh Umbre, Taluka Maval, Pune, Maharashtra.

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For Schaeffler India Ltd

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



410507. The Transferor Company 1 is *inter alia* engaged in the business of manufacturing and supply of precision engine, transmission and chassis components as well as needle and linear bearings for automotive, motorcycles, precision equipment, machine tools and material handling industries.

- 1.4 Transferor Company 2 is a Private Limited Company incorporated under the provisions of the Companies Act, 1956. The registered office of the Transferor Company 2 is at Survey No. 950 Rayakottah Road, Hosur, Krishnagiri, TamilNadu - 635109. The Transferor Company 2 is *inter alia* engaged in the business of manufacturing and supply of high quality innovative products such as clutch systems, dual mass flywheel, transmission automation and hybrid systems to the automotive industry.
- 1.5 This report of the Audit Committee is made in order to comply with the requirements of Circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 issued by the Securities and Exchange Board of India ("SEBI Circular").
- 1.6 The following documents were placed before the Audit Committee:
- (a) Draft Scheme.
 - (b) Valuation Report dated August 30, 2017 jointly issued by the Independent Valuers, namely Price Waterhouse & Co. LLP and Walker Chandiok & Co. LLP, Chartered Accountants ("Joint Valuation Report").
 - (c) Fairness Opinion dated August 30, 2017 issued by M/s. ICICI Securities Ltd., an independent Category-I Merchant Banker ("Fairness Opinion").
 - (d) Certificate from M/s. B S R & Co. LLP, Chartered Accountants, statutory auditors of the Company confirming that the Scheme is in compliance with applicable accounting treatment notified under the Companies Act, 2013 and other generally accepted principles.

2. Proposed Scheme of Amalgamation

- 2.1 The Audit Committee noted the facts, rationale and benefits of the proposed merger, which are, *inter alia*, as follows:
- (a) The Transferor Company 1 and Transferor Company 2 (collectively hereinafter referred to as "Transferor Companies") and the promoter of the Transferee Company are part of the same group i.e. Schaeffler group and are engaged in Industrial and Automotive products and related services.
 - (b) Recognizing the strengths of each other and with the intent of aligning the business operations undertaken by the Transferor Companies and the Transferee Company, the said Companies now propose, by way of the Scheme to Amalgamate the Transferor Companies into and with the Transferee Company in accordance with the terms as set out in the Scheme.
 - (c) The amalgamation of the Transferor Companies with the Transferee Company would *inter-alia* have the following benefits:

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- (i) Creation of a leading Indian Automotive and Industrial supplier;
 - (ii) Establish a diversified product offering across the high growth Automotive and Industrial segments and benefit from access to each Company's client base;
 - (iii) Create revenue and cost synergies by bundling the product offerings, leveraging distribution networks and reducing overhead costs; and
 - (iv) Enhance the financial profile with higher growth and margin expansion.
- (d) The Scheme shall not in any manner be prejudicial to the interests of the concerned shareholders and creditors or general public at large.

2.2 The salient features of the draft Scheme are, *inter alia*, as under:

- (a) The draft Scheme provides for the Amalgamation of the Transferor Companies with the Transferee Company.
- (b) The Appointed Date for the Scheme is the opening of business on January 1, 2018.
- (c) As a result of the proposed amalgamation, the Transferee Company will issue and allot (i) 10 equity shares of Rs. 10 each fully paid up in its capital in respect of every 65 equity shares of Rs. 10 each fully paid up in the equity share capital of the Transferor Company 1; and (ii) 10 equity shares of Rs. 10 each fully paid up in the equity share capital of the Transferor Company 2, whose names appear in the register of members of the respective Transferor Companies and whose names appear as the respective beneficial owners of the equity shares of the Transferor Companies in the records of the depositories (or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Transferee Company) as on the Record Date (as defined in the Scheme). Fractional entitlement of shares, if any, will be rounded up to the nearest integer. The new equity shares allotted and issued as above, shall be listed and/or admitted to trading on the Stock Exchanges, where the equity shares of the Transferee Company are listed and/or admitted to trading as on the Effective Date; subject to the Transferee Company obtaining the requisite approvals from all the relevant regulatory authorities pertaining to their listing.
- (d) Upon the proposed amalgamation becoming effective, all assets, liabilities, contracts, rights, obligations etc. of the Transferor Companies shall stand transferred to the Company.
- (e) Upon coming into effect of the Scheme and with effect from the Appointed Date, the Company shall account for amalgamation of the Transferor Companies in its books of account in accordance with the Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 as notified under the Companies (Indian Accounting Standard) Rules, 2015, as may be amended from time to time more particularly described in Clause 16 of the Scheme.

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- (f) The Scheme will become effective on obtaining all approvals as mentioned in the Scheme.

(Capitalised terms used herein but not defined shall have the meaning ascribed to such terms in the Scheme)

- 2.3 The Audit Committee reviewed the Joint Valuation Report along with the Fairness Opinion and noted the recommendations made therein. The Audit Committee also noted the draft certificate obtained from the Statutory Auditor of the Company, on the accounting treatment, prescribed in the draft Scheme, as required under the SEBI Circular.

3. Recommendation of the Audit Committee

- 3.1 The Audit Committee has considered and noted the aforementioned documents and *inter alia* taking into consideration the rationale and benefits of the draft Scheme, the Joint Valuation Report and the Fairness Opinion, recommends the draft Scheme to the Board of Directors of the Company for their favourable consideration and approval.

For Schaeffler India Limited



Renu Challu
Chairperson of the Audit Committee

Mumbai / August 30, 2017



For Schaeffler India Ltd



Raj Kumar Sarraf
Company Secretary
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