B S R & Co. LLP
Chartered Accountants

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Independent Auditors' Report

To the Members of FAG Roller Bearings Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of FAG Roller Bearings Private Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2013 and the Statement of Profit and Loss for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ('the Act') read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

For FAG Bearings India Limited

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

Independent Auditor's Report – 31 December 2013 *(Continued)*

FAG Roller Bearings Private Limited

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2013; and

(b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. 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 Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, 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 purpose 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 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 comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013; and

   (e) On the basis of written representations received from the directors as on 31 December 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
27 March 2014

FAG Bearings India Ltd. Manjeja Vadodara

FAG Roller Bearings Private Limited

Annexure to Independent Auditors' Report– 31 December 2013

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 part of the fixed assets were physically verified by the management in the current year and no material discrepancies were noticed on such verification.

(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

(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. Maneja Vadodara

FAG Roller Bearings Private Limited

Annexure to Independent Auditors' Report– 31 December 2013 *(Continued)*

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

(viii) 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 209(1)(d) of the Act in respect of machine building 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.

(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 generally regularly deposited during the year by the Company with the appropriate authorities though there have been few delays in case of tax deducted at source and ESI. 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 2013 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 in the financial year and 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 debentureholders 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 Bearings India Ltd. Manjra Vadodara

FAG Roller Bearings Private Limited

Annexure to Independent Auditors' Report– 31 December 2013 *(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. LLP**
Chartered Accountants
Firm's Registration No: 101248W

Vijay Mathur
Partner
Membership No: 046476

Mumbai
27 March 2014

FAG Roller Bearings Private Limited

Balance sheet

as at 31 December 2013

(Currency: Indian Rupees)

	Notes	31 December 2013	31 December 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2	174,000,000	174,000,000
Reserves and surplus	3	(118,519,822)	(117,159,319)
		55,480,178	56,840,681
Non-current liabilities			
Long-term provisions	4	5,106,644	4,292,601
		5,106,644	4,292,601
Current liabilities			
Short-term borrowings	5	-	11,957,110
Trade payables	6	76,402,558	97,113,995
Other current liabilities	7	41,527,954	83,675,207
Short-term provisions	8	514,203	399,509
		118,444,715	193,145,821
TOTAL		179,031,537	254,279,103
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	9	21,665,614	23,440,168
Intangible assets	9	-	-
Capital work-in-progress	9	66,553	-
Long term loans and advances	10	1,444,665	1,150,854
		23,176,832	24,591,022
Current Assets			
Inventories	11	67,535,614	125,739,373
Trade receivables	12	9,348,481	42,272,827
Cash and bank balances	13	75,085,297	44,237,175
Short-term loans and advances	14	3,808,571	16,408,652
Other current assets	15	76,742	1,030,054
		155,854,705	229,688,081
TOTAL		179,031,537	254,279,103
Significant accounting policies	1		
Notes to the financial statements	23-33		

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
Date: 27 MAR 2014

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

Satish Patel
Director

Sunil Shanware
Director

Amita Mistry
Company Secretary

Vadodara
Date: 24 March, 2014

FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

FAG Bearings India Ltd. Maneja Vadodara

FAG Roller Bearings Private Limited

Statement of profit and loss

for the year ended 31 December 2013

(Currency: Indian Rupees)

	Notes	31 December 2013	31 December 2012
Revenue from operations	*16*		
Sale of products (gross)		**201,723,942**	407,284,289
Less: Excise duty		**20,601,252**	30,287,936
Sale of products (net)		**181,122,690**	376,996,353
Sale of services		**8,646,264**	6,597,386
Other operating revenues		**283,019**	1,065,360
Total		**190,051,973**	384,659,099
Other income	*17*	**1,900,990**	2,907,222
Total revenue		**191,952,963**	387,566,321
Expenses			
Cost of materials consumed	*18*	**61,286,772**	265,475,219
Changes in inventories of work-in-progress	*19*	**61,856,665**	10,815,469
Employee benefit expenses	*20*	**43,947,214**	59,420,309
Finance costs	*21*	**958,844**	5,499,341
Depreciation and amortisation	*9*	**2,195,920**	2,096,409
Other expenses	*22*	**23,068,051**	29,312,253
Total expenses		**193,313,466**	372,619,000
Profit / (Loss) before tax		**(1,360,503)**	14,947,321
Income tax expense			
Current tax		-	-
Deferred tax		-	-
Profit / (Loss) for the year		**(1,360,503)**	14,947,321
Earnings per equity share [Nominal value of share Rs.10 each (2012 : Rs. 10 each)]	*29*		
Basic		**(0.08)**	2.90
Significant accounting policies	*1*		
Notes to the financial statements	*23-33*		

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
Date: 27 MAR 2014

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

Satish Patel
Director

Sunil Shanware
Director

Amita Mistry
Company Secretary

Vadodara
Date: 24 March, 2014

FAG Roller Bearings Private Limited

Notes to the financial statements

for the year ended 31 December 2013

(Currency: Indian Rupees)

1. Statement of significant accounting policies

A) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified under the Companies Act, 1956 ('the Act') read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 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 areamortised over its estimated useful life as per the Company's depreciation / amortisation policy.

(II) Depreciation

a) Tangible assets:

i) Assets individually costing Rs. 5,000 or lessare 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.

FAG Bearings India Ltd. Maneja Vadodara

B S R & CO. LLP Chartered Accountants

FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

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 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 includesappropriate 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.

FAG Bearings India Ltd. Maneja Vadodara.

BSR & CO. LLP Chartered Accountants

FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

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 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. Maneja Vadodara

BSR & CO. LLP

FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

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. MANEJA, VADODARA-13.

FAG Bearings India Ltd. Maneja Vadodara

Notes to the financial statements *(Continued)*

as at 31 December 2013

(Currency: Indian Rupees)

	31 December 2013	31 December 2012
2 Share capital		
Authorised		
20,000,000 (31 December 2012: 20,000,000) equity shares of Rs. 10/- each	**200,000,000**	200,000,000
	200,000,000	200,000,000
Issued, subscribed and paid-up		
17,400,000 (31 December 2012: 17,400,000) equity shares of Rs. 10/- each	**174,000,000**	174,000,000
	174,000,000	174,000,000

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

	As at 31 December 2013		As at 31 December 2012	
	Number	Amount	Number	Amount
Equity shares				
Shares outstanding at the beginning of the year	**17,400,000**	**174,000,000**	4,400,000	44,000,000
Shares issued	**-**	**-**	13,000,000	130,000,000
Shares outstanding at the end of the year	**17,400,000**	**174,000,000**	17,400,000	174,000,000

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 2013		As at 31 December 2012	
	No. of Shares held	Amount	No. of Shares held	Amount
INA Bearings India Private Limited	**8,526,000**	**85,260,000**	8,526,000	85,260,000
FAG Kugelfischer GmbH	**4,524,000**	**45,240,000**	4,524,000	45,240,000
FAG Bearings India Limited	**4,350,000**	**43,500,000**	4,350,000	43,500,000
	17,400,000	**174,000,000**	17,400,000	174,000,000

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

Name of Shareholder	As at 31 December 2013		As at 31 December 2012	
	No. of Shares held	% of total shares	No. of Shares held	% of total shares
INA Bearings India Private Limited	**8,526,000**	**49%**	8,526,000	49%
FAG Kugelfischer GmbH	**4,524,000**	**26%**	4,524,000	26%
FAG Bearings India Limited	**4,350,000**	**25%**	4,350,000	25%

FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

FAG Bearings India Ltd. Maneja Vadodara

B S R & Co. LLP Chartered Accountants

Notes to the financial statements *(Continued)*

as at 31 December 2013

(Currency: Indian Rupees)

		31 December 2013	31 December 2012
3	**Reserves and surplus**		
	Surplus (profit and loss balance)		
	At the commencement of the year	**(117,159,319)**	(132,106,640)
	Add: Net profit/(loss) for the current year	**(1,360,503)**	14,947,321
	Total	**(118,519,822)**	(117,159,319)
4	**Long-term provisions**		
	Provision for employees benefits		
	Leave encashment	**3,966,309**	3,384,728
	Gratuity	**1,140,335**	907,873
	Total	**5,106,644**	4,292,601
5	**Short-term borrowings**		
	Loans and advances from related parties		
	- Loans and advances from FAG Bearings India Limited	-	11,957,110
		-	11,957,110

The loans and advances comprises of loan taken from FAG Bearings India Limited, a fellow subsidiary. The loan is unsecured and carries interest @ 10%. Amount is repayable on demand.

6	**Trade payables**		
	Trade payables	**76,402,558**	97,113,995
	Total	**76,402,558**	97,113,995

For dues to micro and small suppliers, refer note 31

7	**Other current liabilities**		
	Employee liabilities		
	- ESIC payable	**1,447**	16,863
	- Provident fund payable	**220,718**	240,168
	- Personnel cost	**104,890**	87,498
	- Leave travel allowance	**140,448**	243,906
	Excise duty payable	**1,200,000**	-
	CST payable	**173,358**	-
	VAT payable	**806,477**	345,484
	TDS payable	**50,455**	366,867
	Creditors for capital goods	**66,553**	305,570
	Accrued expenses	**1,123,466**	1,128,622
	Advance received from customers	**37,640,142**	80,940,229
	Total	**41,527,954**	83,675,207
8	**Short-term provisions**		
	Provision for employees benefits		
	Current portion of Leave encashment	**490,946**	380,235
	Current portion of Gratuity	**23,257**	19,274
	Total	**514,203**	399,509

FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

FAG Bearings India Ltd. Maneja Vadodara

Notes to the financial statements *(Continued)*

as at 31 December 2013

(Currency: Indian Rupees)

9 Tangible fixed assets

	Plant and Equipment	Furnitures and Fixtures	Data Processing Equipment	Office Equipments	Total
Gross block					
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**
Balance as at 1 January 2013	28,946,010	3,797,542	4,833,994	393,130	37,970,676
Additions	335,777	126,358	-	-	462,135
Disposals	-	-	-	79,670	79,670
Balance as at 31 December 2013	**29,281,787**	**3,923,900**	**4,833,994**	**313,460**	**38,353,141**
Depreciation					
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**
Balance as at 1 January 2013	11,293,267	676,780	2,397,244	163,217	14,530,508
Depreciation for the year	1,379,548	230,490	572,146	13,736	2,195,920
Accumulated depreciation on disposals	-	-	-	38,901	38,901
Balance as at 31 December 2013	**12,672,815**	**907,270**	**2,969,390**	**138,052**	**16,687,527**
Net Block					
As At 31 December 2012	**17,652,743**	**3,120,762**	**2,436,750**	**229,913**	**23,440,168**
As At 31 December 2013	**16,608,972**	**3,016,630**	**1,864,604**	**175,408**	**21,665,614**

FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

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FAG Bearings India Ltd. Maneja Vadodara

Notes to the financial statements *(Continued)*

as at 31 December 2013

(Currency: Indian Rupees)

9 Intangible fixed assets

	Non compete fees	Total
Gross block		
Balance as at 1 January 2011		
Balance as at 31 December 2011	10,000,000	10,000,000
	10,000,000	**10,000,000**
Balance as at 1 January 2012		
Balance as at 31 December 2012	10,000,000	10,000,000
	10,000,000	**10,000,000**
Balance as at 1 January 2013		
Balance as at 31 December 2013	10,000,000	10,000,000
	10,000,000	**10,000,000**
Amortisation and impairment losses		
Balance as at 1 January 2011		
Balance as at 31 December 2011	10,000,000	10,000,000
	10,000,000	10,000,000
Balance as at 1 January 2012		
Balance as at 31 December 2012	10,000,000	10,000,000
	10,000,000	**10,000,000**
Balance as at 1 January 2013		
Balance as at 31 December 2013	10,000,000	10,000,000
	10,000,000	**10,000,000**
Net Block		
As At 31 December 2012	-	-
As At 31 December 2013	-	-

9 Capital work in progress

Tangible	Plant and Equipment	Furnitures and Fixtures	Data Processing Equipment	Office Equipment	Total
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	-	-	-	-	-
Balance as at 1 January 2013	-	-	-	-	-
Additions	335,777	126,358	66,553	-	528,688
Assets capitalised during the year	335,777	126,358	-	-	462,135
Balance as at 31 December 2013	-	-	**66,553**	-	**66,553**

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FAG Bearings India Ltd. Maneja Vadodara

Notes to the financial statements *(Continued)*

as at 31 December 2013

(Currency: Indian Rupees)

		31 December 2013	31 December 2012
10	**Long-term loans and advances**		
	(unsecured and considered good)		
	Security deposits	966,790	966,790
	Balance with tax authorities		
	TDS receivable	477,875	184,064
	Total	1,444,665	1,150,854
11	**Inventories**		
	(Valued at the lower of cost and net realisable value)		
	Raw materials	12,339,450	8,427,740
	Work-in-progress	53,065,428	114,922,093
	Stores and spares	1,987,531	1,680,348
	Goods-in-transit	143,205	709,192
	Total	67,535,614	125,739,373
12	**Trade receivables**		
	Trade receivables outstanding for a period exceeding six months from the date they became due for payment		
	Unsecured, considered good	8,507,589	18,419,108
	Doubtful	-	161,784
	Less: Provision for doubtful debts	-	(161,784)
	(A)	8,507,589	18,419,108
	Other receivables		
	Unsecured, considered good	840,892	23,853,719
	(B)	840,892	23,853,719
	Total	9,348,481	42,272,827
13	**Cash and bank balances**		
	Cash and cash equivalents		
	-Cash on hand	-	12,196
	-Balances with banks		
	On current accounts	13,085,297	4,224,979
	On deposit accounts (with original maturity of 3 months or less)	42,000,000	
		55,085,297	4,237,175
	Other bank balances	20,000,000	40,000,000
	Total	75,085,297	44,237,175
	Details of other bank balances/deposits		
	Bank deposits due to mature within 12 months of the reporting date are included under 'Other bank balances'	20,000,000	40,000,000

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Notes to the financial statements *(Continued)*
as at 31 December 2013

(Currency: Indian Rupees)

	31 December 2013	31 December 2012
14 Short terms loans and advances		
To parties other than related parties		
(unsecured, considered good)		
Security deposits	-	309,000
Balance with tax authorities		
Service tax credit receivable	118,851	4,902,177
CENVAT credit receivable	594,629	8,450,624
Advances to employees	275,782	147,297
Balance with The New India Assurance Co Ltd	43,904	45,231
Prepaid expenses	395,515	272,429
Advances for supply of goods	1,177,718	1,158,908
(A)	2,606,399	15,285,666
To related parties		
(unsecured, considered good)		
Advance recoverable from fellow subsidiary	1,202,172	1,122,986
(B)	1,202,172	1,122,986
Total (A+B)	3,808,571	16,408,652

Advance recoverable from fellow subsidiary represents advances given to Schaeffler Technology, fellow subsidiary Rs. 1,202,172 (2012: 1,122,986).

15 Other current assets		
(unsecured, considered good)		
Export incentive receivable	24,235	145,122
Accrued interest on fixed deposits	52,507	884,932
Total	76,742	1,030,054

FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

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Notes to the financial statements *(Continued)*

for the year ended 31 December 2013

(Currency: Indian Rupees)

		31 December 2013	31 December 2012
16	**Revenue from operations**		
	Sale of products		
	Finished goods	201,723,942	407,284,289
	Less: Excise duty	20,601,252	30,287,936
	Sale of products (net)	181,122,690	376,996,353
	Sale of services - Installation service income	8,646,264	6,597,386
	Other operating revenues		
	Packing charges	-	69,000
	Export incentives	283,019	996,360
		283,019	1,065,360
	Total	190,051,973	384,659,099
	Break up of revenue from sale of products		
	Manufactured goods (net of excise)		
	Sale of machines	181,122,690	376,996,353
17	**Other income**		
	Interest income on fixed deposits	1,419,276	1,544,592
	Net gain on account of foreign exchange fluctuations (net)	-	1,358,448
	Sundry balances written back	481,714	4,182
	Total	1,900,990	2,907,222
18	**Cost of materials consumed**		
	Inventory of materials at the beginning of the year	9,136,932	6,815,614
	Purchases	64,632,495	267,796,537
	Inventory of materials at the end of the year	12,482,655	9,136,932
	Total	61,286,772	265,475,219
	Break up of cost of materials consumed		
	Machine parts - Electronic items	57,348,825	261,687,328
	Others	3,937,947	3,787,891
		61,286,772	265,475,219
	Break up of inventory materials		
	Machine parts - Electronic items	7,847,559	3,847,669
	Others	4,635,096	5,289,263
		12,482,655	9,136,932
19	**Change in inventory of work-in-progress**		
	Opening Stock - Machines	114,922,093	125,737,562
	Closing Stock - Machines	53,065,428	114,922,093
	Total	61,856,665	10,815,469

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Notes to the financial statements *(Continued)*

for the year ended 31 December 2013

(Currency: Indian Rupees)

		31 December 2013	31 December 2012
20	**Employee benefit expenses**		
	Salaries, wages and incentives	**42,146,363**	56,926,566
	Contribution to provident and other funds		
	-Provident fund	**1,536,776**	1,970,601
	-Gratuity fund	**236,445**	462,616
	Staff welfare expenses	**27,630**	60,526
	Total	**43,947,214**	59,420,309
21	**Finance cost**		
	Interest on borrowings from related parties	**958,844**	5,499,341
	Total	**958,844**	5,499,341
22	**Other expenses**		
	Stores and spares	**94,387**	251,073
	Power and fuel	**1,059,780**	1,313,121
	Bank charges	**81,078**	103,593
	Communication expenses	**29,789**	75,077
	Insurance	**521,694**	304,928
	Lease rent	**3,610,919**	4,287,000
	Auditor's remuneration (Refer note below)	**433,500**	442,200
	Legal and professional fees	**266,557**	1,277,461
	Outside services - production related	**793,833**	1,980,227
	Technical consulting charges	**318,489**	1,013,554
	Technical support charges-group companies	**7,663,633**	11,566,425
	Outside services - administration	**348,507**	486,915
	Electrical expenses	**72,486**	170,245
	IT expenses	**-**	200,527
	Printing and stationery	**1,953**	4,113
	Travelling expenses	**1,267,879**	2,104,426
	Freight and forwarding expenses	**-**	3,688,347
	Foreign exchange loss (Net)	**6,402,031**	-
	Repairs and maintenance	**3,401**	6,025
	Rates and taxes	**7,664**	2,400
	Net loss on sale/ retirement of fixed assets	**40,767**	-
	Other Expenses	**49,704**	34,596
	Total	**23,068,051**	29,312,253
	Note: Auditor's remuneration		
	As auditor		
	Statutory audit	**425,000**	425,000
	Reimbursement of expenses	**8,500**	17,200
		433,500	442,200

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23. Contracts on capital account, contingent liabilities and commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for amounts to Rs. 355,301 (2012: Rs. NIL).

The company does not have any contingent liability and commitments as at balance sheet date(2012: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	**49,505,277**	**80.65%**
	(151,853,062)	(57.15 %)
Imported	**11,875,882**	**19.35%**
	(113,873,230)	(42.85%)
Total	**61,381,159**	**100%**
	(265,726,292)	(100%)

25. Value of imports on CIF basis

Particulars	Amount (Rs.)
Machine building parts	**14,336,738**
	(115,995,150)
Total	**14,336,738**
	(115,995,150)

26. Expenditure in foreign currency

Particulars	Amount(Rs.)
Technical support fees	**7,663,633**
	(11,566,425)
Travel expenditure	**241,188**
	(1,512,586)
Salaries	**5,760,328**
	(20,200,607)
Total	**13,665,149**
	(33,279,618)

27. Earnings in foreign currency

Particulars	Amount (Rs.)
FOB value of exports	**14,837,988**
	(122,718,001)
Service income	**613,168**
	(4,361,771)
Total	**15,451,156**
	(127,079,772)

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FAG Roller Bearings Private Limited

Notes to the financial statements*(Continued)*

for the year ended 31 December 2013

(Currency: Indian Rupees)

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 absenceof 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 2013. 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 2013. Management believes that the company's international and domestic transactions with associated enterprises post 31 March 2013 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 2013	Year 2012
a)	Profit/(Loss) after tax attributable to equity shareholders	Rs	**(1,360,503)**	14,947,321
b)	Weighted average number of equity shares	No	**17,400,000**	5,147,945
c)	Nominal value of share	Rs	**10**	10
d)	Earnings per share (basic)	No	**(0.08)**	2.90

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

1. **The ultimate control lies with INA Holding Schaeffler GmbH & Co. KG – Schaeffler Group.**

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

Year 2013	Year 2012
FAG Kugelfischer GmbH, Germany	FAG Kugelfischer GmbH, Germany
(a share holder)	(a share holder)
Fellow subsidiary/associate companies	**Fellow subsidiary/associate companies**
Schaeffler Technologies AG & Co. KG,Germany	Schaeffler Technologies AG & 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
INA Kysuce, a.s.Slovakia	Schaeffler (Ningxia) Co. Ltd, China
Schaeffler Holding China Co. Ltd. China	WPB Water Pump Bearing Gmbh& Co. KG, Italy
	INA Kysuce, a.s. Slovakia
	Schaeffler Vietnam Co Ltd., Vietnam

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FAG Bearings India Ltd. Maneja Vadodara

FAG Roller Bearings Private Limited

Notes to the financial statements*(Continued)*

for the year ended 31 December 2013

(Currency: Indian Rupees)

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

3. Transactions with related parties during the year ended December 31, 2013

Nature of transaction	Fellow subsidiaries/ Associate companies
Issue of equity Shares	-
	(130,000,000)
Purchase of raw materials and components/spares	**10,804,129**
	(104,324,451)
Sale of finished goods	**181,122,690**
	(379,422,949)
Service income	**8,646,264**
	(6,597,386)
Interest on unsecured loan and on current account	**958,844**
	(5,493,381)
Repayment of interest on loan and on current account	**1,302,542**
	(5,149,683)
Repayment of loan (by way of conversion into equity sharesRs. Nil (2012Rs. 41,500,000))	**11,957,110**
	(47,450,000))
Technical support fees	**7,663,633**
	(11,566,425)
Lease rent	**3,096,000**
	(3,096,000)
Reimbursement of salary cost	**5,760,328**
	(20,200,607)

4. Balances outstanding as at December 31, 2013:

Advance from customers	FAG Bearings India Ltd., India	**14,233,333**
		(-)
	Schaeffler Technologies AG & Co. KG, Germany	-
		(4,099,648)
	INA Bearings India Private Ltd., India	**16,318,290**
		(10,679,957)
	Schaeffler Portugal S.A., Portugal	**7,088,519**
		(-)
	Schaeffler (China) Co. Ltd. China	-
		(66,160,623)
Advance recoverable	Schaeffler Technologies AG & Co. KG, Germany	**1,202,172**
		(1,122,986)
Trade Receivables	FAG Bearings India Ltd., India	-
		(37,956,985)
	Schaeffler Technologies AG & Co. KG, Germany	**9,348,481**
		(4,315,842)
Unsecured loan	FAG Bearings India Ltd., India	-
		(11,957,110)
Trade payable	Schaeffler Technologies AG & Co. KG, Germany	**65,471,880**
		(83,302,533)
	INA Kysuce, a.s. Slovakia	-
		(4,108,311)

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FAG Roller Bearings Private Limited

Notes to the financial statements*(Continued)*

for the year ended 31 December 2013

(Currency: Indian Rupees)

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

5. 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	**10,804,129**
		(101,827,205)
	Schaeffler Portugal S.A., Portugal	-
		(2,497,246)
Sale of finished goods	FAG Bearings India Ltd., India	**149,368,234**
		(246,738,170)
	INA Bearings India Private Ltd., India	**16,952,583**
		(5,605,006)
	INA Kysuce, a.s., Slovakia	-
		(97,755)
	Schaeffler Portugal S.A., Portugal	-
		(69,348,982)
	Schaeffler (China) Co. Ltd. China	**14,445,956**
		(31,120,829)
	WPB Water Pump Bearing Gmbh& Co. KG, Italy	-
		(6,574596)
	Schaeffler Technologies AG & Co. KG, Germany	**332,293**
		(19,937,610)
	Luk India Private Ltd, India	**23,625**
		(-)
Technical service fees	Schaeffler Technologies AG & Co. KG, Germany	**7,642,014**
		(11,566,425)
Interest on loan taken and on current account	FAG Bearings India Ltd., India	**958,844**
		(4,743,379)
	INA Bearings India Private Ltd, India	-
		(750,002)
Repayment of interest on loan and on current account	FAG Bearings India Ltd., India	**1,302,542**
		(4,399,681)
	INA Bearings India Private Limited, India	-
		(750,002)

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FAG Roller Bearings Pvt. Ltd. MANEJA, VADODARA-13.

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

5. The significant related party transactions are as under:

Nature of transactions	Fellow subsidiary/associate companies	Amount
Repayment of loan	FAG Bearings India Ltd., India	**11,957,110**
		(9,000,000)
	INA Bearings India Private Limited, India	-
		(38,450,000)
Service income	FAG Bearings India Ltd., India	**7,944,632**
		(2,235,615)
	Schaeffler Portugal S.A., Portugal	-
		(4,361,771)
Lease rent	FAG Bearings India Ltd., India	**3,096,000**
		(3,096,000)
Reimbursement of expat cost	Schaeffler Technologies AG & Co. KG, Germany	**4,138,243**
		(8,957,113)
	INA Kysuce, a.s., Slovakia	**1,622,086**
		(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 2013:

The Company has not taken any derivative instrument during the year. 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	**1,052,941**	**65,471,880**
		(1,568,834)	(86,287,857)
	EURO	**49,381**	**4,244,777**
		(25,252)	(1,839,414)
Advance received from customers	EURO	**82,463**	**7,088,519**
		(-)	(-)
	USD	-	-
		(1,277,227)	(70,260,272)
Advance given to suppliers	CHF	**9,631**	**676,764**
		(188)	(11,405)
	EURO	**1,901**	**163,369**
		(-)	(-)
Advance recoverable	USD	**19,334**	**1,202,172**
		(20,414)	(1,122,986)

(Currency: Indian Rupees)

Particulars		Amount in foreign currency	Equivalent amount in Indian currency (Rs)
Trade receivable	USD	-	-
		(78,456)	(4,315,842)
	EURO	108,754	9,348,481
		(-)	(-)

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 2013	Year 2012
No. of employees	73 Nos.	72 Nos.
Discount rate per annum as at 31st December	9.25% per annum	8.25% per annum
Salary escalation per annum	7% per annum	7% per annum
Mortality	Published Mortality Indian Assured Lives Mortality(2006-08)	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.

As per our report of even date attached.

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

Vijay Mathur
Partner
Membership No: 046476

Mumbai
Date: 27 MAR 2014

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

Satish Patel
Director

Sunil Shanware
Director

Amita Mistry
Company Secretary

Vadodara
Date: 24 March, 2014

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