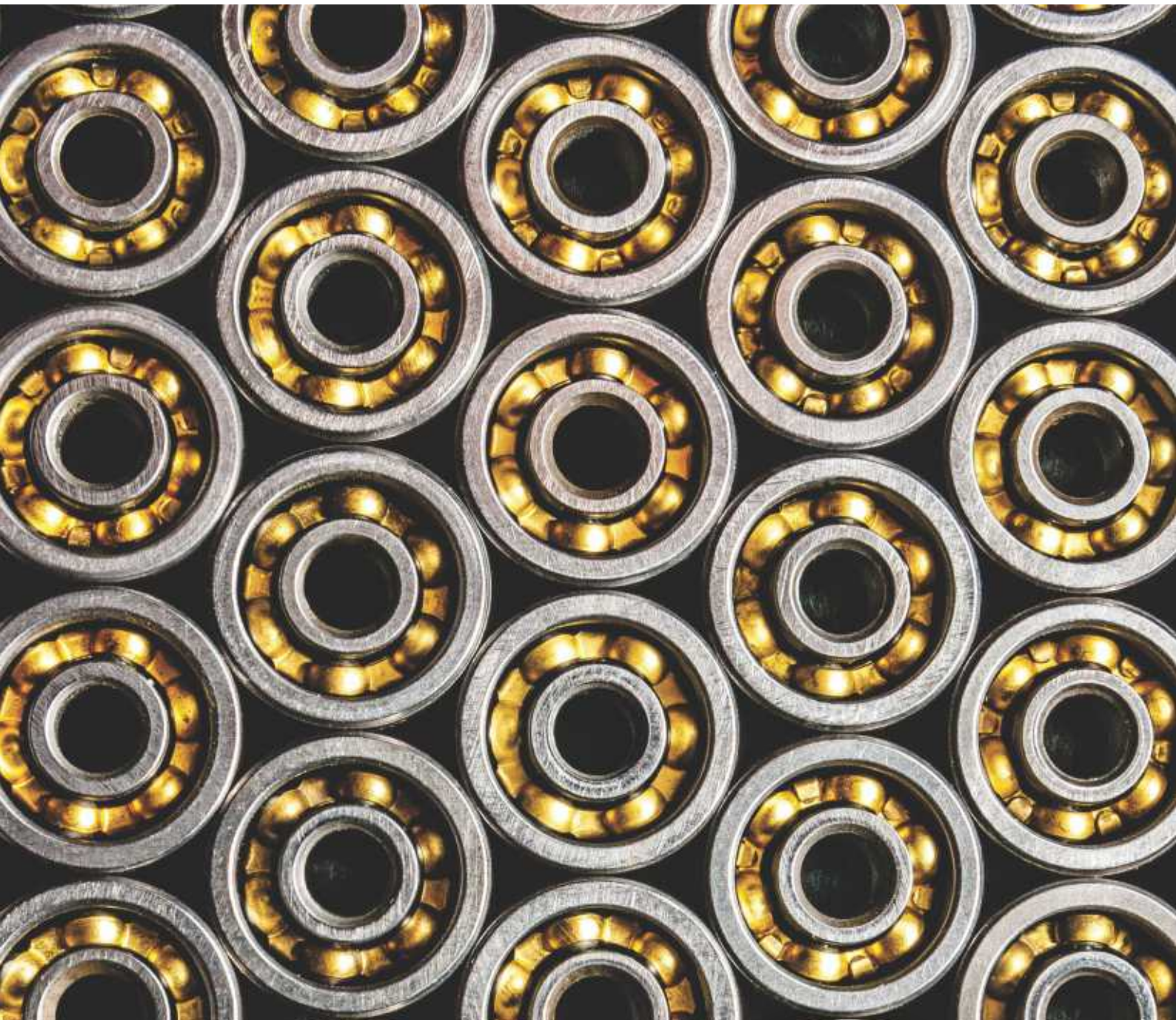


**FAG**

**SCHAEFFLER**



**FAG Bearings India Limited**

Annual Report 2016







# STEPS INTO THE FUTURE





# 10 YEARS' HIGHLIGHTS

(₹ in million)

Year	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>SOURCES OF FUNDS</b>										
Share Capital	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2
Reserves*	14,340.4	12,707.0	10,888.9	9,708.9	8,607.8	7,112.6	5,546.1	4,428.3	3,860.4	2,990.7
Net-Worth*	14,506.6	12,873.2	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3	4,594.5	4,026.6	3,156.9
Borrowings - Long-term	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Funds Employed	14,506.6	12,873.2	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3	4,594.5	4,026.6	3,156.9
<b>INCOME AND PROFITS</b>										
Sales (Net)	17,898.6	17,077.6	16,176.1	14,202.4	14,358.4	12,993.3	10,400.8	7,976.9	7,444.1	6,413.0
Gross Operating Profit	3,643.1	3,614.4	2,826.9	2,294.5	2,650.4	2,848.1	2,054.4	1,318.8	1,728.0	1,412.5
Profit Before Tax	2,984.5	2,938.1	2,323.7	1,854.4	2,334.7	2,609.6	1,818.8	995.8	1,473.5	1,244.8
Tax	1,039.5	963.3	794.9	636.1	742.9	849.9	603.8	340.4	516.3	449.5
Profit After Tax	1,945.0	1,974.8	1,528.8	1,218.3	1,591.8	1,759.7	1,215.0	655.4	957.2	795.3
Dividend Per Share (₹)**	12.0	10.0	7.5	6.0	5.0	10.0	5.0	4.5	4.5	4.0
Retained Earnings	1,703.9	1,768.9	1,383.0	1,101.0	1,495.2	1,566.5	1,117.8	567.9	869.7	715.5
<b>OTHER DATA</b>										
Gross Fixed Assets	9,100.4	8,372.7	7,594.8	7,554.5	7,148.5	5,320.7	4,275.9	4,200.4	4,152.7	3,741.1
Net Worth Per Equity (₹)	873.0	774.7	665.3	594.3	528.0	438.0	343.8	276.5	242.3	190.0
Debt Equity Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Current Ratio	3.5	3.6	3.4	2.4	2.9	2.7	3.1	3.2	2.8	2.5
Production (Nos. in million)	125.7	116.9	112.3	91.6	80.7	78.3	67.7	47.7	46.4	45.1
Sales (Nos. in million)	125.5	118.1	112.7	92.9	81.5	77.4	66.3	49.2	45.4	44.6
Employees (Nos.)#	1,525	1,560	1,477	1,495	1,580	1,456	1,343	1,334	1,375	1,282
Shareholders (Nos.)#	10,430	9,771	8,701	7,808	8,465	8,205	7,876	7,276	7,623	7,439

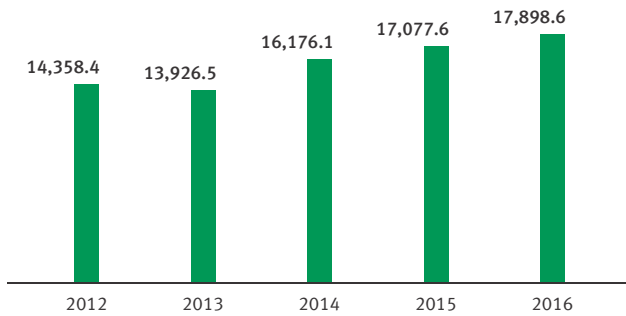
\*Excluding revaluation reserve \*\*Proposed # As on December 31



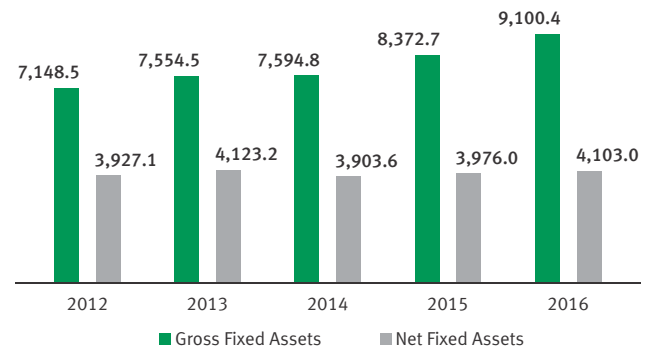
# PERFORMANCE HIGHLIGHTS: 5 YEARS

(₹ in million)

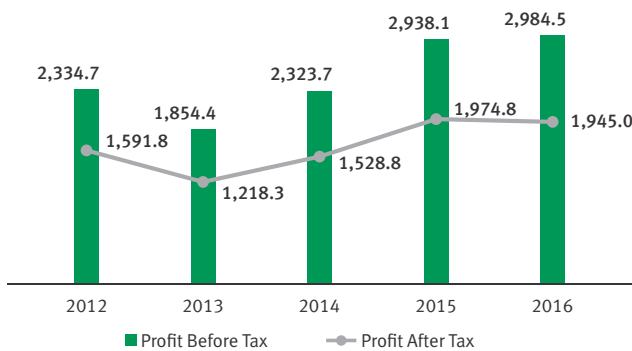
## Net Sales



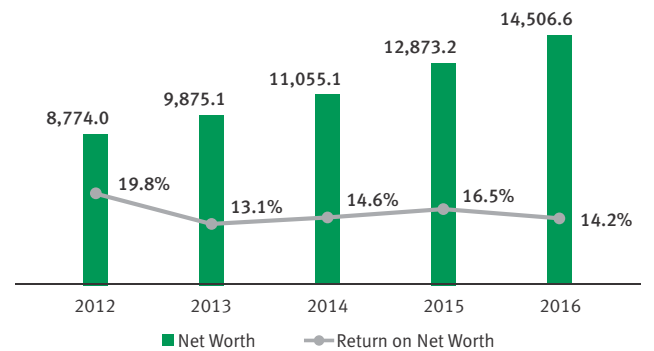
## Gross and Net Fixed Assets



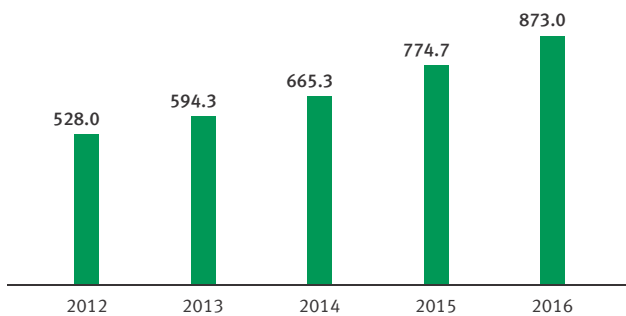
## Profit Before Tax and Profit After Tax



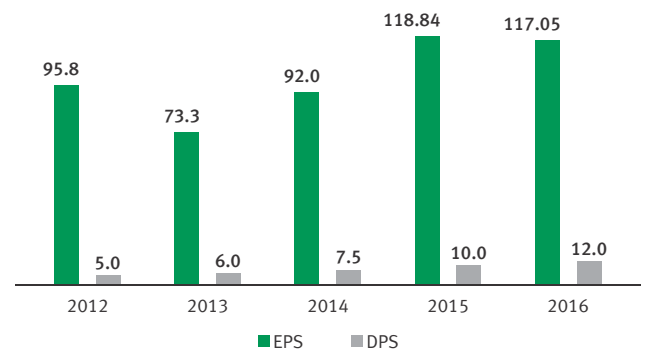
## Net Worth and Return on Net Worth (%)



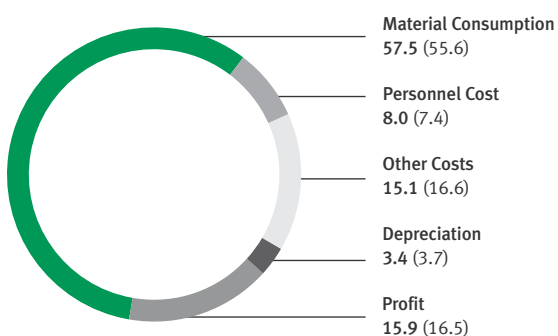
## Book Value per Share (In ₹)



## Earnings per Share and Dividend per Share (In ₹)

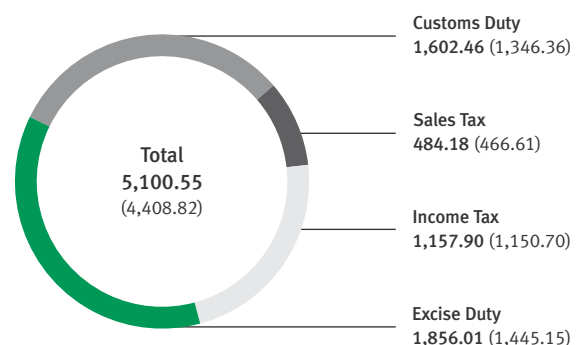


## Distribution of Income (%)



Bracket denotes previous year's figures

## Contribution to Exchequer (₹ in million)



# MOBILITY FOR TOMORROW

## Mission

“Guided by the values of a global family business, we work closely together with our customers as true partners to deliver a compelling value proposition through our best-in-class expertise in manufacturing technology and systems know-how. In doing so, we contribute to the success of our customers, the advancement of our employees, and the prosperity of our society.”

## Vision

“As a leader in technology, we combine a passion for innovation with the highest standards of quality to shape the future of mobility – for a world that will be cleaner, safer, and smarter.”



“We have used 2016 to fine-tune our strategic concept with its 4 focus areas. In doing so, we have been guided by the following fundamental principle: We will only be successful in the long run if we combine long-term thinking and the success factors that have proven themselves over the years – Quality, Technology, and Innovation – with a systematic orientation towards the future.”

- Klaus Rosenfeld

Chief Executive Officer - Schaeffler AG



## Eco-friendly drives

- Optimised combustion engine
- Electric cars
- Industrial drives



## Urban mobility

- Two-wheelers
- Inncity railways
- Micro mobiles



## Interurban mobility

- Rail vehicles
- Aircraft
- Off-highway



## Energy chain

- Wind power
- Solar power
- Conventional power generation

4 FOCUS AREAS

# STEPS INTO THE FUTURE

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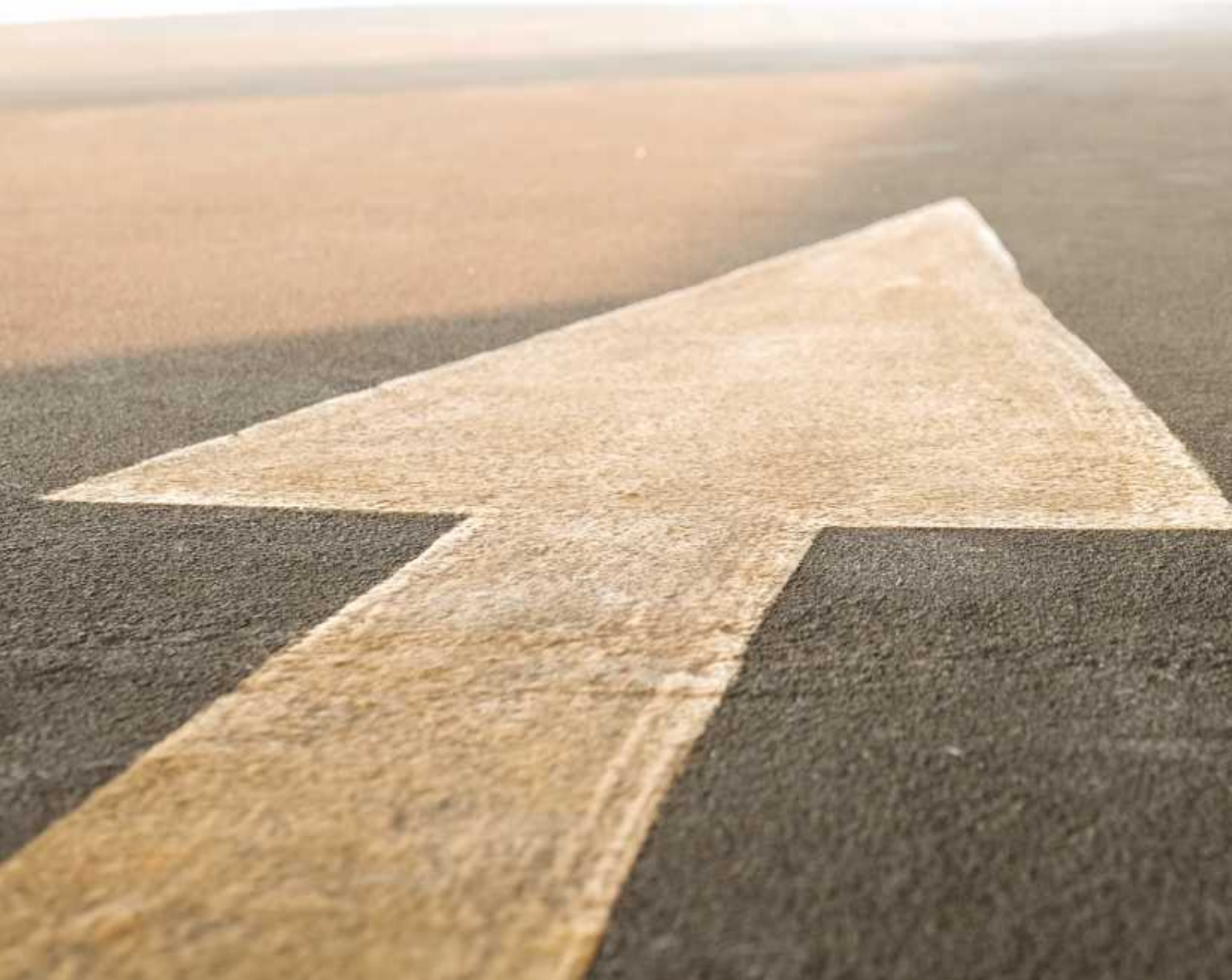
If success is a journey, the steps that one takes in the right direction are perhaps more important than mere distance covered.

---

It is good to remember 2016 for some path-breaking steps that our country undertook during the year. ISRO's success in launch of multiple satellites, progress towards GST implementation and demonstration of India's commitment towards climate change by signing of Paris treaty, are some steps that will undoubtedly have strong impact on the future of our nation.

During 2016 Schaeffler fine-tuned its strategic concept 'Mobility for tomorrow'. Besides articulating the 4 Focus areas, 8 Strategic Pillars and 16 initiatives under an Excellence program, the Group clearly defined its vision & mission statement together with its 4 core values. In summary, a blueprint and a roadmap of where the Group is heading in its journey to create a profitable enterprise with sustainable value has been laid out.

Here at FAG, your Company not only aligned its approach with the Group's strategy, it also took some concrete steps to strengthen its long-term competitiveness. We strengthened our presence in focus sectors, and consistently pursued localisation goal to expand our manufacturing and engineering footprint. By aligning and involving our people in the organisational renewal process, together we took some solid steps into the future...







# HIGH VOLUME FOCUS

## Generation C Low Friction Ball Bearings

C stands for change. FAG Gen C ball bearings have redefined quality. For our customers, it means low friction, quiet running, better sealing and long life.

Dedicated ball bearings lines at Savli have set up a new global benchmark in terms of quality and productivity. During the year under review, we commissioned two new manufacturing lines at Savli.

Gen C ball bearings have found great acceptance from our customers in sectors such as two-wheelers, e-motors and production machinery, to name a few.

## Advanced Wheel Bearing Solutions

Wheel bearings of Gen 3 are highly integrated units with a mounting flange, brake disc, wheel mounts and integrated speed encoders. Our customers in Passenger Car and Utility sectors prefer FAG advanced wheel bearing solutions as these offer high reliability, low weight and maintenance-free long performance under demanding conditions.

During the year, FAG acquired nominations for wheel bearings on new car/SUV platforms under development with our top customer accounts. With these projects on hand, we have set basis for further expansion of our business in automotive sector.

High volumes offer economies of scale. When you combine high volume with high innovation, result is sustainable competitive advantage. Market sectors like two-wheeler, automotive and off-highway offer opportunities for high volume and high growth. During the year, your Company leveraged its strengths in technology, quality and innovation to acquire new businesses in these markets





# CUSTOMISED PRODUCT BUSINESS

When technical requirements are high, customers want products specifically tailored to their needs. Key to success in customised product business is close engagement with customers at an early stage of development. With our extensive application know-how, sophisticated design, simulation and test capabilities besides controlled and flexible manufacturing resources, we not only ensured high value creation for our customers during the year, we set basis for profitable long-term business growth in sectors such as wind and railways.

Our Large Size Bearing portfolio at Savli is being constantly expanded to cover diverse application scope.

Applications demand in wind sector are very stringent. Our customised product portfolio fulfills the demanding WPO Standard. During the year, we successfully acquired new business for gear boxes and main shaft applications in wind turbines. These projects will provide foundation upon which we can expand our customised product business in the next years.

We are raising competence of our Design Engineers and Application Engineers so that they can co-create high performance solutions together with our customers.

Growing trends towards heavy load, high speed, high safety, public transportation offers excellent scope to promote advanced FAG solutions in rail sector. During the year, we started working on several 'new customer-new product' projects that have potential to provide long-term business growth.





# EXCELLENCE IN SALES & SERVICES

Customers want more than good products. They demand best-in-class quality, just-in-time availability, efficient logistics, affordable price, and excellent pre and after sales service. In summary, maximum value and superior experience. At FAG, we believe that sales excellence must be embedded in our processes and reflected through passionate manner in which our teams respond to customers' requests and expectations. This year, we took a number of initiatives to improve the customer experience.

## Core Program

We expanded our core program initiative to ensure that products which are in regular demand are available off-the-shelf.

## Reach

Through systematic expansion of our distribution network, we extended our market reach. In particular, we are focussing on extending our reach in smaller towns and rural markets.

## Process

We are upgrading to new ERP – SAP EP1. The new system will ensure greater efficiency and enhanced integration of all our business processes.

## TCO

In aftermarket, we continued promoting our TCO (Total Cost of Ownership) concept. The idea obviously is to get involved in and contribute to the success of our customers' operational processes. FAG's service expertise in the areas of roll shop maintenance, lubrication, mounting, dismantling and alignment, won growing acceptance of our customers in steel, cement, paper and automotive MRO sectors.

## Competence

We regularly invest in upgradation of sales and technical skills of our sales teams and channel partners. This ensures that we not only understand market requirements well, but are also able to effectively respond to the same.




Supplier Performance Award  
from Sona Koyo Steering Systems Ltd.



Best Supplier Award - Gold Category  
from Power Build Pvt. Ltd.





Digitalisation and Industry 4.0 concepts capture the future vision of manufacturing. The networking of individual machines will increase industrial efficiency. Condition monitoring products are a key enabler for the digitalisation of production processes. The new FAG Smart Check is an excellent plug-and-play product for condition monitoring and is effective under diverse applications. During the year, we were successful in initiating a number of online condition monitoring projects with our customers. With condition monitoring, we capture real-time information that provides insights about health and performance of the equipment. This information can then be successfully used by our customers to avoid down time, plan maintenance and improve equipment performance.

# EXCELLENCE IN OPERATIONS

As competitive pressures grow in market, organisations strive to maximise quality while minimising costs. At FAG, we constantly invest towards upgradation of technology, work to reduce waste, maximise process efficiency, develop new products and raise the quality bar. In summary, we continue our relentless pursuit towards operational excellence to stay competitive in business.

## Localisation

As a part of long-term strategy, your Company continues to invest in localisation. During the year, we invested ₹ 820 million towards expansion of production footprint and upgradation of technology.

## Product Management

We expanded our local product range and developed a number of new products for domestic and exports business. During the year, we added over 100 new products in our local range. We also initiated measures to make product development process more robust and have been constantly working to reduce time to market.

## Plant Maneja

We invested in upgradation of grinding and assembly processes at Maneja. Plant production improved by 8% over last year. Production of wheel bearings is set to expand further in 2017-18 as we prepare to meet the growing demand of our automotive customers.

## Plant Savli

Savli registered a growth of 33% in production over last year. We commissioned two new production lines for Generation C ball bearings. Our Large Size Bearing plant is now running at full capacity. At the same time, large size bearing products are gaining acceptance of our customers in infrastructure industry, encouraging us to plan the next stage of capacity expansion at Savli.



We continue to drive Schaeffler initiatives MOVE and Fit for Quality. MOVE implementation was intensified at both the plants, as all segments are now striving to reach 3 star certification next year.





# PASSION FOR PERFORMANCE

When strategy, structure, capabilities and culture are tightly linked, an organisation is geared for a successful and sustainable future. That is one reason why we put People at the centre-stage of all our strategic initiatives. After all, people and their passion drive successful performance of a strategy.

## Alignment

Higher level of employee engagement leads to higher level of trust and that in turn leads to closer alignment of strategy, organisation and people. Forum such as town hall meetings have helped immensely in bringing employee alignment with organisational objectives and vice versa at FAG.

## Good Start

A growing company like FAG requires a talent pipeline. We recruit fresh as well as experienced members to support organisation's growing need for talent. Our New Hire Integration program which ensures that new employees get a comprehensive understanding of the organisation, far beyond understanding of their ultimate area, has been very effective in providing a good start to new employees.

## Talent

Our talent management process is deeply rooted in our belief that people development must precede organisational development. We have robust processes to capture and shape developmental needs of our employees. Our structured initiatives like Young Leader Program and Accelerated Leadership Program, have been supporting our employees in realisation of their true potential.

## Family Connect

Family connect initiatives like WEe Wonder Club and Sanskar Setu, have been an important part of our organisation's culture as we try to provide a bridge between professional and social needs of employees.

## Sparks of Innovation

Schaeffler Idea factory – an online portal, is designed to capture innovative ideas of all our employees. During the year, we captured 1,600 ideas and implemented 900 of these.



### Working in High Performance Teams

Continuous improvement in an organisation requires strong teamwork. A good teamwork brings the best of every member, binds team to the culture of excellence and continuous improvement, and helps overcome failure while systematically discovering better ways to do things. At FAG, initiatives like Quality Circle and MOVE provide platforms to our employees for collaborative teamwork. Team members identify opportunities for improvement, evaluate current practices and processes, plan and implement improvements – in their areas and horizontally. Above all, they manage the change process to ensure that the gains of improvement are sustainable, and when teamwork is appreciated, it brings smiles on the faces of team members. FY 2016 saw number of our teams winning awards at quality and productivity competitions organised within Schaeffler and external institutes like CII, ACMA, Quality Circle Forum of India (QCFI) etc.



Quality Awards Received by "Lakshya" Team from DGBB 62 in National QC competition held by QCFI



Excellence Award for FAG Maneja QC Team in Quality Circle & Kaizen Competition organised by Baroda Productivity Council



Quality Award received by 'Sunrise' Team from Face OD & Central Quality in National QC Competition held by QCFI

# CREATING TRUE IMPACT

## OUR CSR INITIATIVES



His highness Maharaja Shri Samarjitsinh Gaekwad and Her highness Maharani Smt. Radhikaraje Gaekwad inaugurated 'Quest on Wheels' on 2nd March 2016. The royal family of Vadodara has been a great supporter of this initiative and has opened up the regal premises of Lukshmi Vilas Palace for this initiative.

Two of our Arogya Rathis (Mobile health units) have now become an integral part of healthcare in villages surrounding our Maneja and Savli plants. They conduct regular checkups emphasising upon childhood nutrition and adolescent anemia in more than 50 villages.



Our 'Jagruti' initiative for inculcating best menstrual care and hygiene practices for women's well being has also been well received. It is being implemented in 26 villages and covers 4,000 adolescents and young mothers.

To empower differently abled youth through training and skill development, we sponsored a batch of 11 students for a Graphic Designing & Animation course. Upon completion, most of the students were successfully employed. One more batch of 15 students is undergoing this training. Additionally, we are also sponsoring 15 students for a computer hardware and networking course.



New school building at Lamdapura village near our Savli plant is our next CSR project. It is currently under construction and will be operational by academic year 2017.





## QUEST ON WHEELS

India with its rich culture and diversity has a lot to offer to curious minds. In order to promote awareness not only about India's heritage but also its progress in modern world, among young and the old, FAG introduced 'Quest On Wheels' as a part of CSR activity.

- Thrice every week, Quest On Wheels takes young students of municipal schools to places of cultural or scientific interest for a study tour
- Occasionally we also take Senior Citizens for a 'day out'
- Street children and those living in the slums also covered
- Engagement activities like Bhavai are used to convey social messages

### 2016 Highlights

60+ Visits

3,400+ Students benefited

100+ Senior Citizens benefited

### Locations covered so far as part of this initiative

- Lukshmi Vilas Palace
- Sayaji Garden
- Baroda Museum
- Nature Park
- Narmada Dam at Kevadiya Colony
- Vikram Sarabhai Space Exhibition at ISRO, Ahmedabad

# COMPANY

## INFORMATION

### Board of Directors

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<b>Chairman</b>	Mr. Avinash Gandhi
<b>Managing Director</b>	Mr. Dharmesh Arora
<b>Directors</b>	Mr. Klaus Rosenfeld Mr. Dietmar Heinrich Mr. Frank Huber Mr. Sampath Kumar Raman Dr. Sanak Mishra Mrs. Renu Challu Mr. Rakesh Jinsi

### Key Managerial Personnel

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<b>Chief Financial Officer</b>	Mr. Satish Patel
<b>Company Secretary</b>	Mr. Raj Sarraf

<b>Bankers</b>	ICICI Bank Limited
<b>Auditors</b>	B S R & Co. LLP, Chartered Accountants
<b>Collaborators</b>	Schaeffler Group, Germany
<b>Registered Office</b>	Nariman Bhavan, 8 <sup>th</sup> Floor, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021 Maharashtra, India
<b>Head Office</b>	P.O. Maneja, Vadodara - 390 013 Gujarat, India
<b>Manufacturing Locations / Plants</b>	1. P.O. Maneja, Vadodara - 390 013 Gujarat, India  2. Plot No.1 (Alindra), Savli GIDC Phase - III, Taluka: Savli, Vadodara - 391 775 Gujarat, India
<b>Sales Offices</b>	Bengaluru, Chennai, Coimbatore, Gurugram, Jamshedpur, Kanpur, Kolkata, Ludhiana, Mumbai, New Delhi, Pune, Secunderabad, Udaipur

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## **I N D E X**

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Dear Shareholders,

Your Directors are pleased to present the 54<sup>th</sup> Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2016.

## Financial Highlights

Year	₹ in million	
	2016	2015
<b>TOTAL INCOME (Net)</b>	<b>18,821.6</b>	<b>17,805.9</b>
Gross Operating Profit (Earnings before depreciation, interest, tax and prior period adjustments)	3,643.1	3,614.4
Depreciation / Amortization	641.0	655.1
Interest (Net)	17.6	21.2
Prior period adjustments	-	-
<b>PROFIT BEFORE TAX</b>	<b>2,984.5</b>	<b>2,938.1</b>
Provision for Tax	1,039.5	963.3
<b>PROFIT AFTER TAX</b>	<b>1,945.0</b>	<b>1,974.8</b>
Balance brought forward	8,674.6	7,473.3
Other Adjustments to Surplus	0.6	(167.6)
Profit available for appropriation	<b>10,620.2</b>	<b>9,280.5</b>
<b>APPROPRIATIONS</b>		
Proposed dividend	199.4	166.2
Tax on Proposed dividend	41.7	39.7
Transfer to General Reserve	400.0	400.0
Balance carried to Balance Sheet	<b>9,979.1</b>	<b>8,674.6</b>



## Financial and Operational Performance

### Economy

The world economic environment was subdued in year 2016. This was on account of various factors such as uncertainties in global financial market, set-back such as Brexit, slow-down in investments, weaker growth in China and overall heightened policy uncertainties.

In India, while the mood somewhat changed from excitement to pragmatism, the economy remained on healthy growth path till last quarter of CY 2016. Demonetisation of ₹ 500 and ₹ 1000 denomination currency notes by the government in November 2016 did impact consumption and economic activities temporarily. Overall GDP growth in FY 2016-17 is still expected to remain around 7.0%.

Industrial production as reflected by development of Index of

Industrial Production (IIP) remained erratic during year 2016. Core infrastructure industry, well supported by public sector investment and favourable policy environment, showed positive growth of 5.0% in year 2016. Mobility sectors such as passenger cars, commercial vehicles and two-wheelers continued healthy growth of 7.0% to 9.0%. Agriculture tractor industry recovered from cyclic decline to grow ~5.0% in year 2016. Private investments did not show smart pick-up during the year as capacity utilisation in most of the sectors is still not at high levels. The demand of your Company's products from aftermarket and new projects remained sluggish.

Overall the market environment of your Company's business was moderately positive. At the same time, competition both from the global and local players intensified during the year.



## Performance

Your Company's total Income (including other income) was placed at ₹ 18,821.6 million in year 2016 (Year 2015: ₹ 17,805.9 million) representing a growth of 5.7%. Profit before tax was placed at ₹ 2,984.5 million (Year 2015: ₹ 2,938.1 million) representing a growth of 1.6%.

Your Company's sales to mobility sectors grew in-line with market growth. Sales to technology and innovation driven sectors like wind energy, rail, industrial automation registered above average growth. At the same time, sales to aftermarket and distributor sector suffered under price and cash pressure prevailing in the market. The export business of your Company was stable during the year.

Your Directors consider the Company's performance as satisfactory.

## Strategy

During the year Schaeffler Group fine-tuned its strategic concept "Mobility for Tomorrow" with its four focus areas namely Eco-friendly drives, Urban mobility, Inter-urban mobility and Energy chain. Schaeffler's strategic approach combines long-term thinking with proven success factors of Quality, Technology and Innovation to form robust and systematic organisational orientation towards the future.

As a member company of Schaeffler Group, your Company regularly aligns and adjusts its business approach with Group's strategy. During the year, the Company took significant steps to strengthen its presence in innovation driven markets such as Automotive, Railways and Wind. Continuing our focus on high volume business, we expanded our production of Ball-Bearings at Savli plant. We continued to invest in expansion of our manufacturing and engineering footprints in the country.

Emphasising the importance of efficiency and cost control as critical success factors of business in India, your Company accelerated implementation of Schaeffler Group programs such as "Fit for Quality" and "MOVE" across all areas of operations with a view to realising operational excellence.

Competence of our people is a key differentiator in demanding Indian market. During the year, your Company successfully launched "Team leader" concept at both its plants. This program empowers young engineers and technicians with new skills and shop-floor management tools. Intense involvement of our employees in continuous improvement initiatives was recognised during various competitions in which our employees participated.

In summary, your Company combines its focus on growth in customised as well as high volume businesses together with emphasis on proven success factors - Quality, Technology and Innovation to form basis of its long-term strategy orientation towards the future.

## Outlook

GDP growth in FY 2017-18 is expected to exceed the 7.0% mark after suffering temporary negative impact of demonetisation in FY 2016-17. The Goods and Services Tax (GST) is most likely to be implemented in 2017. This will simplify taxation, improve transparency and spur growth. The union budget for FY 2017-18

provides for high investment in upgradation of infrastructure and housing. Increased spend on Road and Rail will lead to growth in demand of your Company's products. Higher budgetary investment in agriculture, rural and social sector will provide impetus to two-wheeler, tractors and construction equipment sectors which are important markets of Company's products.

Overall your Company is positive about its short term and medium term business outlook. We will continue to pursue growth strategy in customised as well as high volume product business. Leveraging our customer and application expertise, we will provide added value to our customers. At the same time, we will accelerate implementation of our operational excellence strategy to systematically build on long term competitive advantage in the business.

## Dividend

Your Company has a steady dividend payment history and in line with the financial performance of the year 2016, your Directors recommend dividend for the year ended December 31, 2016 at the rate of ₹ 12/- (2015: ₹ 10/-) per equity share amounting to ₹ 199.4 million (2015: ₹ 166.2 million). The Company will pay the Tax on dividend as per the provisions of the Income Tax Act, 1961.

## Transfer to General Reserve

A sum of ₹ 400 million has been transferred to the General Reserves of the Company. This reflects well on the financial strength of the Company.

## Transfer to Investor Education and Protection Fund

Pursuant to provisions of Section 205A of the Companies Act, 1956 [Pursuant to rule 3 of the Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001] the Unclaimed and Unpaid dividend pertaining to the year ended on December 31, 2008 amounting to ₹ 3,24,383/- which was lying in the Company's separate Unpaid Dividend Account and remained unclaimed for a period of seven years, was transferred to the Investor Education and Protection Fund (IEPF) during the year.

## Management Discussion and Analysis

Pursuant to Regulation 34 read with Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, detailed review of operations, performance and future outlook of the Company is covered under a separate Annexure to this report as Management Discussion & Analysis. (Annexure - A)

## Corporate Governance

A separate section on Corporate Governance is included in the Annual Report and the certificate from M/s. Samdani Kabra &

Associates, Company Secretaries, Vadodara (Guj.), the Company's Secretarial Auditors confirming the compliance of conditions on Corporate Governance is annexed thereto. (Annexure - B)

## Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub-section (3)(m) of Section 134 of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 has been given in the Annexure forming part of this Report. (Annexure - C)

## Directors

In accordance with the provisions of Section 152 the Companies Act, 2013 read with provisions of the Articles of Association of the Company, Mr. Klaus Rosenfeld and Mr. R. Sampath Kumar will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. A brief resumé / particulars relating to them are given separately under the report on Corporate Governance.

Mr. Dharmesh Arora [DIN: 05350121] has been appointed as the Managing Director by the Board of Directors to fill the casual vacancy caused due to resignation of Mr. Rajendra Anandpara. Your Board place on record appreciation for Mr. Anandpara's many years of commitment, outstanding work and contribution to the Company.

## Key Managerial Personnel (KMP)

Pursuant to provisions of Sections 2(51) and 203 of Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 following persons are acting as Key Managerial Personnel of the Company:

1.	Managing Director & Chief Executive Officer*	<b>Mr. Dharmesh Arora</b>
2.	Chief Financial Officer	<b>Mr. Satish Patel</b>
3.	Company Secretary	<b>Mr. Raj Sarraf</b>

\*Mr. Rajendra Anandpara has resigned as Director and Managing Director w.e.f. March 3, 2017. Mr. Dharmesh Arora has been appointed as an Additional Director and Managing Director of the Company w.e.f. March 6, 2017.

## Policy on Nomination and Remuneration

The Company's Policy on Nomination and Remuneration is framed with objectives as under;

1. To formulate criteria and advise the Board in matters of determining qualifications, competencies, positive attributes and independence of Directors, and policies relating to their appointment and removal,

2. To review corporate goals and objectives, to set norms of performance evaluation and to lay out remuneration principles for Directors, KMP and Senior Management linked to their effort, performance and contribution towards achievement of organisational goals,
3. To evaluate performance and give recommendations to the Board on remuneration payable to the Directors, KMP and Senior Management, and
4. To review and recommend to the Board measures to retain and motivate talent including KMP and Senior Management Personnel with a view to ensuring long term sustainability and competitiveness of the organisation.

### Criteria and Qualification for Nomination and Appointment

A person to be appointed as Director, KMP or at Senior Management level should possess adequate relevant qualification, expertise and experience for the position that he / she is being considered for. The Nomination and Remuneration Committee (NRC) will evaluate whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position and the NRC will make appropriate recommendations to the Board of Directors.

### Policy on Remuneration

1. The remuneration (including revisions) to Directors is recommended by NRC to the Board for approval. The remuneration (including increments) to the Directors, so recommended by NRC to the Board, should be within the limits under the Companies Act, 2013 read with the Rules thereunder and as approved by the shareholders of the Company.
2. None of the Directors (including Independent Directors) shall be entitled to any stock option of the Company.
3. Non-executive Directors, who are in whole-time employment with other Associate Companies of the Schaeffler Group, will not be entitled to any remuneration, profit related commission or sitting fees.
4. While determining remuneration to KMP, Senior Management Personnel and other Employees, the Company encourages and rewards; merit and superior performance. The objective is to set the total remuneration at levels to attract, motivate, and retain high-calibre, and high potential personnel in a competitive global market.

## Formal Annual Evaluation

Your Company believes that systematic evaluation contributes significantly to improved performance at three levels; Organisational, Board and Individual Board Member. It encourages the leadership, teamwork, accountability, decision-making, communication and efficiency of the Board. Evaluation also ensures teamwork by creating better understating of Board dynamics, board-management relations and thinking as a group within the board.

The process includes; multi-layered evaluation based on well defined criteria consisting of relevant parameters.

For the year 2016, the Board has carried out an annual



performance evaluation of its own and that of its Committees and individual Directors.

Performance evaluation criteria for the Board, its Committees, the Directors and the Chairman of the Company were circulated to and filled up by the Directors. A consolidated summary of the ratings given by the Directors was prepared by the Company Secretary. Independent Directors in their meeting have evaluated performance of the 'Board', the 'Non-independent Directors' and the 'Chairman' of the Company and submitted its recommendation to the 'Board'. The Nomination and Remuneration Committee has further carried out evaluation of all the Directors including Independent Directors. The report of performance evaluation so arrived at was then noted and discussed by the Nomination and Remuneration Committee and the Board in their respective meetings.

## Independent Director's Declaration

The Company has received the declarations in the prescribed format from each Independent Director conforming that they meet the criteria of independence as envisaged in the provisions of Section 149 of the Companies Act, 2013, read with Regulation 16 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

## Auditors

### Statutory Auditors

The Statutory Auditors, M/s. B S R & Co. LLP, Chartered Accountants, Mumbai, (Firm Registration Number: 101248 W / W-100022) were appointed as Statutory Auditors of the Company in 52<sup>nd</sup> Annual General Meeting of Company held on April 24, 2015 for a period of five consecutive years, subject to ratification by members every year in AGM. Based upon the declaration on their eligibility, consent and terms of engagement, your Directors propose ratification of their appointment in 54<sup>th</sup> Annual General Meeting until conclusion of 55<sup>th</sup> Annual General Meeting of the Company.

### Secretarial Auditors

M/s. Samdani Kabra & Associates, a firm of Company Secretaries in Practice was appointed as 'Secretarial Auditors' to carry out Secretarial Audit of the Company. In terms of provisions of section 204 of the Companies Act, 2013, a Secretarial Audit Report has been annexed to this Report. (Annexure - H)

### Cost Auditors

M/s Y. S. Thakar & Co., Cost Accountants, as Cost Auditors had conducted the audit of the cost records of the Company for the Financial Year ending December 31, 2016. Based upon the declaration on their eligibility, consent and terms of engagement, your Directors have made their appointment for the year 2017.

### Explanation or Comments on disqualifications, reservations, adverse remarks or disclaimers in the auditor's reports:

There have been no disqualifications, reservations, adverse remarks or disclaimers in the auditor's reports, requiring explanation or comments by the Board.

## Contracts and Arrangements with Related Parties

The transactions with the related parties are governed by prevailing regulatory requirements and Company's policy on dealing with such transactions. During the year, all transactions with the Related Parties have been carried out in normal course of business and based upon well set principles of arm's length. A separate report containing details of 'Material Related Party Transactions' carried out during the year is annexed to this report. (Annexure - D)

## Corporate Social Responsibility (CSR)

Being an Indian company, we are equally motivated by the Indian ethos of Dharma as a key plank for organisational self-realisation. Guided by the prevailing regulatory requirements, the Company has constituted a 'Corporate Social Responsibility (CSR) Committee' and framed a Policy on CSR, summary of which together with details of CSR activities undertaken by the Company during the year 2016, have been covered in Separate report on CSR annexed to this report. (Annexure - E)

## Whistle Blower Policy / Vigil Mechanism

Your Company has well defined 'Whistle Blower Policy' and established Vigil Mechanism to provide for adequate safeguard against victimisation of Directors and employees who follow such mechanism and also make provisions for direct access to the chairperson of Audit Committee in appropriate cases.

Whistle Blower Policy of the Company is available on the Company's website at the web-link: [http://www.schaeffler.com/remotemedien/media/\\_shared\\_media/03\\_worldwide/02\\_websites\\_worldwide/india\\_2/company/fag\\_india/ir/codes\\_policies/Vigil\\_Mechanism\\_OR\\_Whistle\\_Blower\\_Policy.pdf](http://www.schaeffler.com/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/Vigil_Mechanism_OR_Whistle_Blower_Policy.pdf)

## Particulars of Loans given, Investments made, Guarantees given and Securities provided

The particulars of loans have been disclosed in notes to the Financial Statements. Except prolongation of existing inter-organizational loans, there have been no fresh loans given, investments made or guarantees given to the related parties during the year.

## Deposit

During the year, the Company has not accepted any deposits under the Companies Act, 2013.

## Particulars of Employees and related disclosures

In terms of the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel)

Rules, 2014, the names of the top ten employees in terms of remuneration drawn and employees drawing remuneration in excess of the limits set out in the said rules forming part of this report is given in the Annexure to this report. However, pursuant to provisions of Section 136(1) of the Companies Act, 2013 all reports and accounts are sent to all the shareholders of the Company except this annexure. Any shareholder, interested in inspecting this report, can visit our registered office or write to the Company Secretary for a copy of it.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been appended to this Report. (Annexure - F)

### Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

The Company has in place a Policy against Sexual Harassment at workplace in line with the requirement of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set-up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary and trainees) are covered under this policy. No complaints were received by the Committee during the year.

### Extract of Annual Return

As per regulatory requirements, 'Extract of Annual Return' is provided in a separate report annexed to this Report. (Annexure - G)

### Orders passed by the Regulators or the Courts or the Tribunals

There are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status of the Company and its operations.

### Directors' Responsibility Statement

Pursuant to the requirement under Section 134(3)(c) of the Companies Act, 2013, your directors hereby state that;

- a) In the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- b) The accounting policies have been selected and these have been applied consistently and judgments and estimates made thereon are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at December 31, 2016 and of the profit of the Company for that period;
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) Annual accounts of the Company have been prepared on a 'going concern' basis;
- e) Internal financial controls have been laid down and being followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) Proper systems to ensure compliance with the provisions of all applicable laws have been devised and that such systems are adequate and were operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, work performed by the internal, statutory and secretarial auditors and external consultants and the reviews performed by management and the Audit Committee, the Board is of the opinion that the Company's internal financial controls were adequate and effective during the financial year ended December 31, 2016.

### Acknowledgements

Your Directors wish to place on record their sincere appreciation for the wholehearted and continued support extended by the Shareholders, Schaeffler Group, Customers, Suppliers, Stockists & Importers, Banks, Government & Regulatory Authorities and all Employees of the Company for their continued support.

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

New Delhi: March 6, 2017



The world around us is rapidly changing. As a company which focuses both on short-term and long-term goals, we continually anticipate these changes and shape our strategies so as to adapt and gain from such changes.

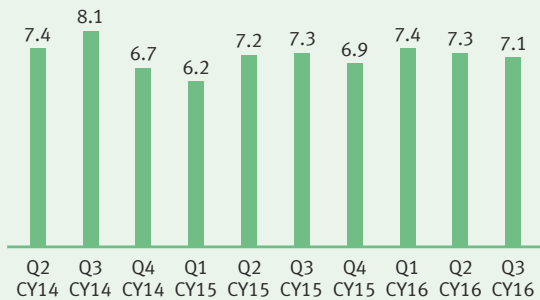
For the year under review, the global and local environment presented a mixed picture.

## A Macro-Economic Environment

According to World Bank report of January 2017, year 2016 was another difficult year characterised by stagnant global trends, subdued investment and heightened policy uncertainties. Global growth in year 2016 is estimated at 2.3% and is projected to recover moderately at 2.7% in year 2017. Growth in emerging market and developing economies is expected to accelerate in year 2017.

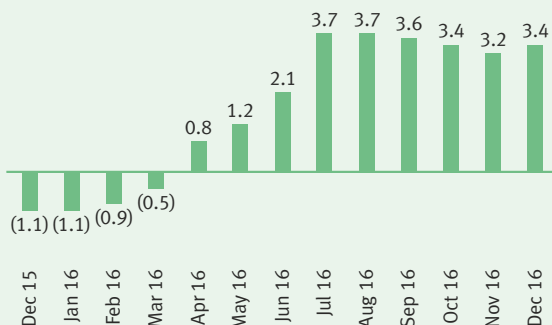
Amidst uncertain environment, India stood out as a bright spot in the world economic landscape. The economic growth averaged 7.2% in the first half of FY 2016-17. Demonetisation of high denomination bank notes announced by government in November 2016 did disrupt some sectors of the market especially in rural areas. Despite this short-term drop in economic activities, growth in FY 2016-17 is still expected to be close to 7.0%.

GVA at Basis Price (% YOY)

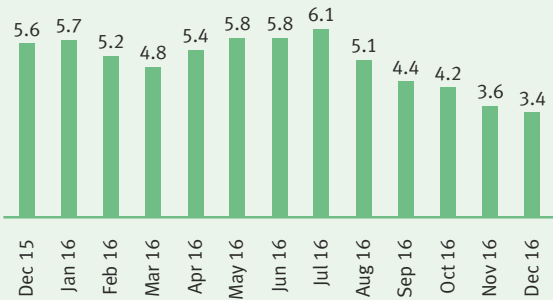


India's macro economic stability provides the foundation of economic success. Consumer Price Index (CPI) declined to 3.4% in December 2016 and is expected to remain below 5.0% range. Other economic indicators such as Current Account Deficit, Foreign Direct Investment, Fiscal Deficit all show a positive trend.

Wholesale Price Index (WPI)



Consumer Price Index (CPI)



The finance minister presented union budget FY 2017-18 on February 1, 2017 with a clear agenda to "Transform, Energise and Clean India".

The budget provides for substantial outlay for rural and agricultural sectors while maintaining thrust on infrastructure developments through large public investment.

There has been substantial progress towards implementing GST (Goods and Service Tax) - one of the most significant reforms since independence by July 2017. In the medium-term, demonetisation will lead to liquidity expansion in the banking system, lower lending rates and will lift economic activity.

While private investments have yet to pick-up, continued infrastructure spending by government will improve the business climate and will ultimately attract more private investments in the coming period. World Bank forecast estimates India's economy to grow in the range of 7.4% to 7.6% in FY 2017-18.

While overall indicators to growth seem positive, India will have to guard against risks to economy coming from slow speed of remonetisation, increasing provisions for NPAs by major banks and possible widening of fiscal deficit due to upcoming elections in year 2019.

With increased global integration, emerging economies like India will also face challenges from -

- expected monetary policy stance of US Federal Reserve to increase the policy rates in year 2017,
- uncertainties around commodity prices and
- increasing protectionist stance of some of the countries.

## B Industry Structure and Development

Your Company operates its business across the following major market sectors:-

- |                     |                 |
|---------------------|-----------------|
| (a) Automotive OEMs | (c) Aftermarket |
| (b) Industry OEMs   | (d) Exports     |

The Indian rolling bearing market is estimated at approximately 100 Billion INR. The market is supplied through domestic production as well as through imports. Most of the global bearing companies have their manufacturing operations in India. Imports comprise 40%-45% of total bearing demand. Over the years imports from China which come at very competitive prices have been increasing.

## (1) Automotive and Mobility

### Development of Automotive Production in India

(Quantity in Thousand Numbers)

	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Change % 2012 vs 11	Change % 2013 vs 12	Change % 2014 vs 13	Change % 2015 vs 14	Change % 2016 vs 15
Two and Three Wheelers	15,928	16,524	17,257	19,429	19,462	20,814	3.7%	4.4%	12.6%	0.2%	6.9%
Passenger Vehicles	3,054	3,285	3,132	3,157	3,368	3,678	7.5%	-4.6%	0.8%	6.7%	9.2%
Light Truck (LCV)	509	539	516	433	427	466	5.8%	-4.3%	-16.0%	-1.4%	9.0%
M & HCVs	372	338	226	249	320	346	-9.1%	-33.1%	9.9%	28.9%	7.9%

Source: SIAM

#### Two & Three Wheelers

After flat development in year 2015, two and three wheeler market improved in year 2016. Uptick in both rural and urban demand together with additional capacity build-up by key players, supported positive development of the industry. Demonetisation did impact two-wheeler market in the last quarter of year 2016 and after effects of this disruption are still felt in first quarter of year 2017.

Union budget for FY 2017-18 provides for increased allocation for rural development and welfare schemes. This will support positive development of two and three wheeler market in year 2017.

Your Company produces high volume ball bearings which are required by two and three wheeler industry. With increase in production of low friction ball bearings from Savli plant, we are well prepared to support the industry's growth.

#### Passenger Vehicles

Globally three trends are shaping the future of passenger vehicle market (a) changes in macro economic forces, (b) new trends in personal transportation and (c) stricter environmental regulations.

Year 2016 marked another good year for passenger vehicle industry (Passenger Cars and Utility Vehicles) as the market expanded by 9%. Improved customer sentiments, easy availability of finance, rising family income and lack of effective public transportation alternatives, supported positive development of this industry. The industry also witnessed a slew of new launches offering customers wide range of choices to make. The industry experts expect car market to grow to 5 million vehicles by year 2020.

Your Company supplies advanced wheel bearing solutions and efficient ball bearings for chassis system besides bearings for transmission systems. With our continued focus on technology and innovation, we expect to grow ahead of market in this sector.

#### Commercial Vehicles

Medium and Heavy Commercial Vehicle sector (M&HCV) recorded buoyant sales in first half of the year 2016. Factors such as healthy replacement demand, improving operating environment for fleet operators, stable freight rates and growth in demand from construction and mining sectors led to positive trends in this sector. The industry showed some decline in Q3 - 2016 but recovered in Q4 - 2016.

The developments in Light Commercial Vehicles segment (LCV) remained largely positive during the year 2016 barring November-December 2016 when sales were impacted by demonetisation.

Going forward, further development of this sector will depend on revival of supply chains across the country's economy. The increased spend in infrastructure, urbanisation and implementation of GST augur well for long-term development of this industry.

Your Company supplies reliable and efficient products mainly for transmission application to this sector and will benefit from growth of the market.

#### Agricultural Tractors

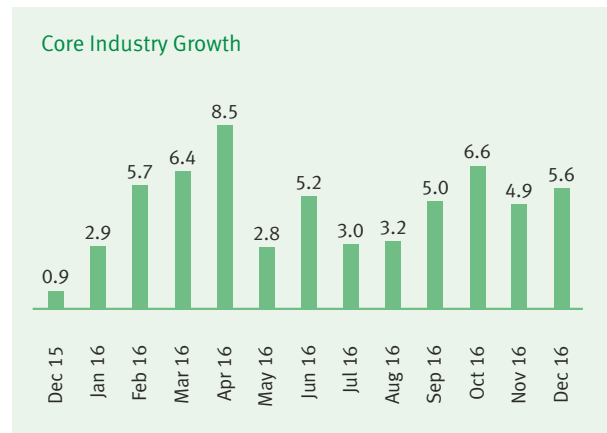
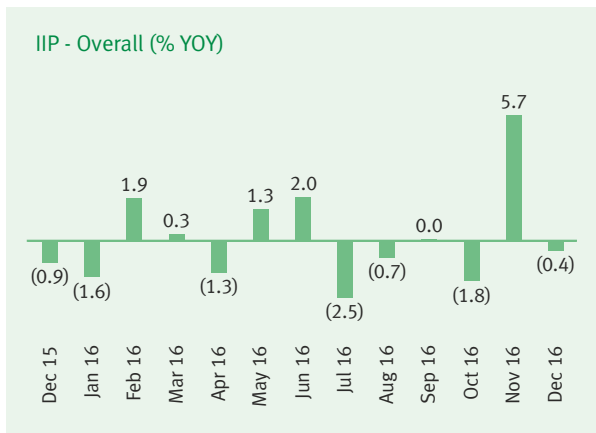
2016 was a turnaround year for agricultural tractor industry. Favourable monsoon, improvement in Minimum Support Price (MSP) especially for oil seeds and pulses, high Rabi sowing, together with continued rural thrust of Indian government led to positive development of this sector. Though demonetisation impacted tractor sales for a few months, this impact is expected to be short-term and industry expects another good year in 2017.

Your Company develops and supplies wide ranging products for transmission and chassis application in agricultural tractors and will benefit from industry's positive developments.

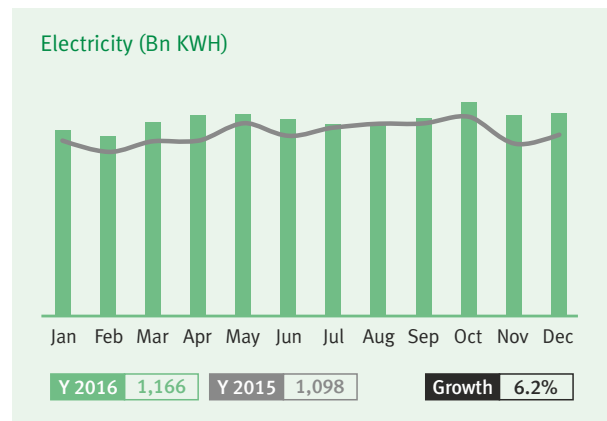
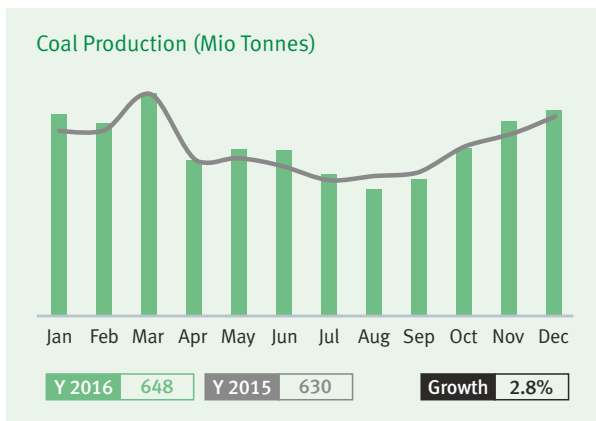
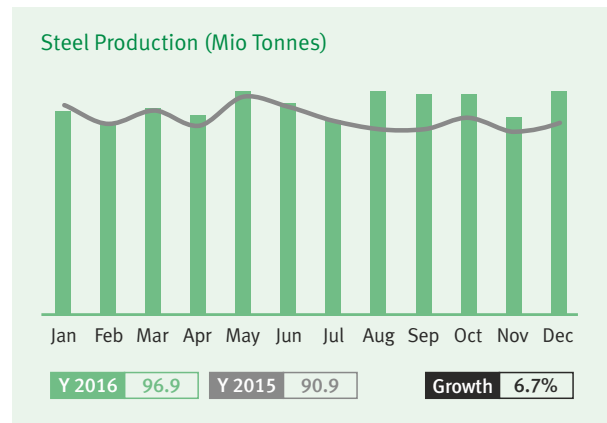
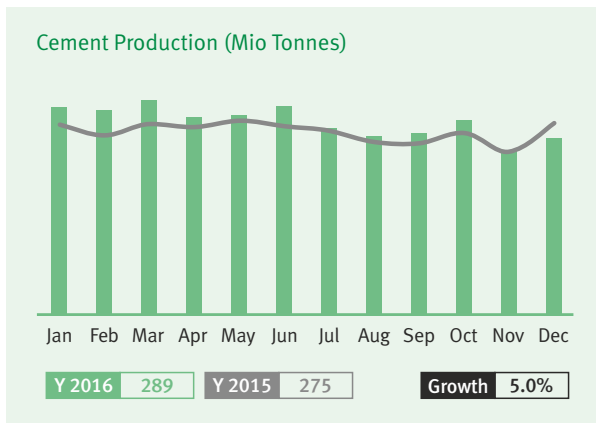
## (2) Industrial Sectors

2016 witnessed moderate development of Industry sector. The average growth in Index of Industrial Production (IIP) during the year 2016 was placed at 0.2%. Even this moderate growth was largely led by positive development in Electricity while Mining and Manufacturing had negative to flat development during the year.

### Development of Industrial production in 2016



On a positive side, growth in core infrastructure industry mainly driven by public investment was robust at 5%. Growing infrastructure expenditure by government led to positive development of cement production. Steel industry recovered from the stress and posted healthy growth in year 2016, thanks largely to protection provided by Indian government against cheap imports from China.





Rail network in India fulfils the needs for short and long distance travel besides the movement of bulk commodities. Recognising the importance of this sector, Government of India has been investing in railway infrastructure by making investor friendly policies. Several projects such as implementation of dedicated freight corridor, introduction of heavy load capacity freight cars and locomotives, high speed trains and metro rail urban transportation are making rapid progress.

In the energy sector, India is increasingly relying on clean energy. As one of the signatories to the Paris Climate Agreement, India plans to reduce its carbon emission intensity by 33% to 35% by year 2030. India also aims to produce 40% of the total electricity from sources other than fossil fuel in the long-term.

India with installed capacity of 27 GW is the fourth largest player in the global wind market. The year 2016 witnessed recovery in Indian wind industry as new installations grew to 3,400 MW.



Your Company has very wide product portfolio to serve diverse industry sectors. Very close understanding of markets and applications is one of the key factors of success in industrial markets. Due to its long experience, your Company has developed excellent application engineering knowhow for focus sectors.

With the clear approach to increase localisation, your Company continues to invest in capacity expansion and introduction of new product lines in India. In close cooperation with our customers, we continue to expand our customised product portfolio to fulfil ever increasing demand for highly reliable products.

During the year under review, your Company posted healthy sales growth in OEM segments such as Railways, Wind Energies, Off-Highway, Power Transmission and Industrial Automation.

Development of Aftermarket demand is linked to capacity utilisation and new projects in sectors such as Steel, Mining, Cement and Paper industry to name a few. Since most of our customers in these sectors are still to utilise their full capacities, development in Aftermarket demand therefore remained subdued.

The competitive intensity in aftermarket sector intensified during the year 2016 as more and more brands, both local and imported, vied with each other to get share of demand. During the year, sales of Company's product in aftermarket was impacted as distributors restricted purchases in a volatile price market. In the last quarter of the year, sales especially in rural and retail markets reduced under cash crunch as a fall out of government's demonetisation initiative.

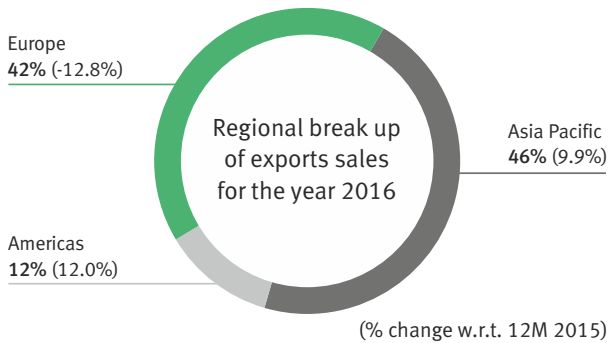
Your Company continues its added value oriented approach in aftermarket with the goal of reducing total cost of ownership. With our basket of services including condition monitoring, mounting, dismounting, alignment and lubrication to name a few: we do not just offer quality products to our Customer, we continually support our customers in improving reliability, quality and productivity in their processes and plants. Some of our service initiatives such as roll-shop maintenance in steel industry and on-line condition monitoring projects in cement and steel sectors have found growing acceptance in the market.



### (3) Exports

Your Company sells products manufactured in Vadodara and Savli plants to Schaeffler Companies worldwide. During the year under review, the inter-company sales declined marginally by  $\approx 1\%$ .

## Inter-company Sales: 16.7% of Total Sales



We expect moderate improvement in export business in year 2017 in anticipation of improved global economical environment.



## (4) Competition

Bearing industry has always been highly competitive. With slow-down of economy in China, underutilisation of global capacities increased leading to intensified competition in Indian bearing market.

Besides competition from reputed global brands, the market recognises growing presence of Chinese bearing brands which leverage their large domestic capacities together with non-transparent economic environment to offer very low prices in the market.

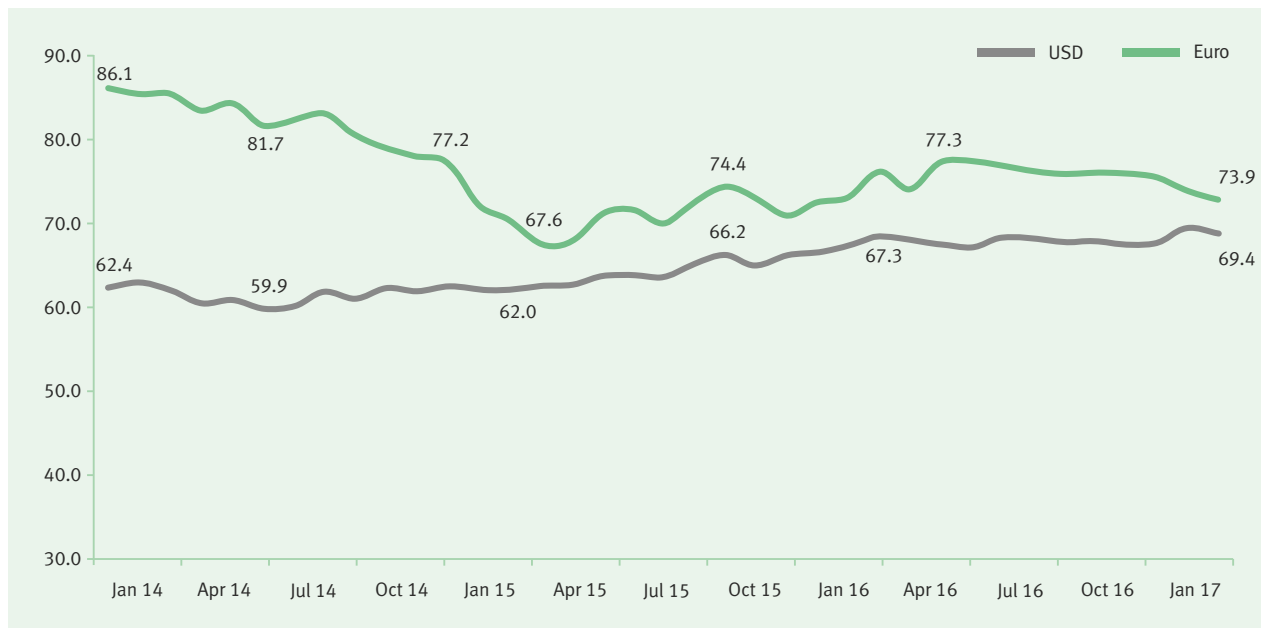
On the cost front, Indian government provided protective duty support to steel manufacturers and processors in the year 2016.

This inverted duty structure does not support competitiveness of Indian bearing industry.

Due to weak implementation of Intellectual Property Rights (IPR) in India, counterfeit products continue to pose unhealthy competition to reputed brands like ours.

Your Company focuses on technology, quality and innovation as its core competencies. We are convinced that our customers do not just look for low cost but insist on high product quality, efficiency and management of total cost of ownership. With our strategy to invest in best in class products and services, we are in position to meet growing expectation of our customers.

## (5) Development of FX rates (USD and Euro vs INR)



During the year under review, volatility of exchange rate remained within manageable limits. Your Company follows long term hedging strategy with regard to foreign exchange exposure to mitigate the risks.

## (6) Outlook

2017 promises healthy growth of Indian economy. The government thrust on development of rural and agricultural sectors, continued investments in infrastructure projects, implementation of GST and diminishing negative impacts of demonetisation will accelerate economic growth leading to growth in demand of your Company's products.

Your Company's long-term strategy to realise profitable and sustainable growth is based on the following key initiatives.

- (a) Growth in high volume businesses such as automotive, two-wheelers, off-highway etc. by investing in appropriate technology and by partnering with our customers in their development process.
- (b) Above industry growth in customised product market by leveraging Schaeffler's global sector and product competence.
- (c) Offering high value added products and services together with continued expansion of competent distribution channel for long-term success in aftermarket business.
- (d) Regular investments to expand our manufacturing footprint.
- (e) Investing in talent and in training.
- (f) Focusing on operational excellence through proven Schaeffler initiatives like MOVE, Fit for Quality (FFQ).

In summary, your Company will continue to focus on core success factors of Quality, Technology and Innovation to realise profitable and sustainable future.

## C Risk Management System

Like any other ongoing business, your Company is exposed to a large number of potential risks that can adversely affect its business. Your Company has established comprehensive Risk Management System to ensure that risks to the Company's continued existence as a going concern and to its development are identified and addressed on timely basis. Consciously dealing with identified risks and regularly monitoring risk factors increases risk awareness and ensures continuing improvement.

Management identifies and evaluates - especially such risks which could jeopardise continued existence or development at an early stage and defines and implements measures to control these risks. The Risk Management System consists of multi phased process. Initially, all risks are identified by different departments and functions as bottom up approach. These risks are then analyzed and evaluated by the Company's management team before these are reported to the Board of Directors.

Risks are classified in different categories such as financial risk, operational risk, legal risk and strategic risk. These risks are then classified and quantified depending on probability of occurrence and the extent of potential damage. This analytical approach clearly leads to categorisation of risks as follows:-

1. **Material Risk:** Risk with high probability and high negative impact on net assets, financial position and earnings.
2. **Significant Risk:** Risk with medium probability and medium negative impact on net assets, financial position and earnings.

3. **Non Critical Risk:** Risk with either low probability of occurrence or which has negligible impact on net assets, financial position and earnings.

The Risk Management strategy as approved by the Board of Directors is implemented by the Company management. The risk evaluation is performed semi-annually. The management presents the risk management report along with planned mitigation measures to the Board of Directors periodically.

## D Internal Control System

The Company has a system of Internal Controls over financial reporting (IFC) ensuring the accuracy of the accounting system and the related financial reporting. The Internal Control System provides for well-documented policies and procedures that are aligned with Group standards and processes. It adheres to local statutory requirements for orderly and efficient conduct of business, safeguarding of assets, the detection and prevention of frauds and errors, adequacy and completeness of accounting records and timely preparation of reliable financial information. The efficacy of the internal checks and control systems is validated by Internal as well as Statutory Auditors.

The Company's IFC is conceptually based on regulatory framework, as applicable. The Controls defined in the framework are applied to all levels viz. Entity Level, Process Level and IT System Level. The management assesses the appropriateness and effectiveness of the Controls in place on yearly basis. To this end, the Company uses a standardised methodology to identify the processes relevant to IFC, define the required controls and document them in accordance with uniform requirements. This is then followed up with a review of the effectiveness of the defined controls that is performed using a risk-based approach. The Process Controls are self evaluated as well as audited by the Internal and the Statutory Auditors. The measurement plans are laid out and monitored regularly to overcome the deficiencies as detected during self evaluation and confirmed by the Auditors.

The Audit Committee reviews the adequacy and effectiveness of the internal control systems, significant audit observations and monitors the sustainability of remedial measures.

## E Finance

Your Company recorded a total revenue of ₹ 18,821.6 million in 2016 (2015: ₹ 17,805.9 million) representing a growth of 5.7%. The revenue growth has been in all our business segments except Aftermarket. The export sales have been stagnant. Profit before tax was placed at ₹ 2,984.5 million in 2016 (2015: ₹ 2,938.1 million) representing a marginal growth of 1.6% mainly due to the adverse sales mix.

Your Company has been consistently practicing prudent finance management. The strong focus on liquidity and working capital management helped in achieving generation of sufficient free cash flow for the long term strategic objectives of the company.

The Company has Structured Hedging Policy to neutralise the volatility in the foreign currency development. The consistent implementation and monitoring thereof has helped avoidance of negative Forex impact during the year.

In the challenging market environment, we consider your Company's performance as satisfactory.



# Management Discussion & Analysis

(Annexure A to the Directors' Report)

## F Human Resource and Industrial Relations

At FAG, our fundamental belief in immense power of human potential and team work is reflected in our people approach. Our Company continued its focus on people excellence and implemented a number of initiatives involving employees and their families.

### Shop Floor Management and Team Leader Program

Shop Floor Management enhances responsiveness of the shop floor leadership team and enables sustainable problem solving for lasting benefits to the organisation. This is possible because of methodical selection and deployment of Team Leaders at the shop floor. Team Leaders are constantly being trained in different behavioural module as well as modern manufacturing practices, lean management, quality management principles. In order to emphasise on customer centricity, we provide team leaders with in-depth understanding of the Company's customers and their expectations.

Results of team leader program have been encouraging as we see improvement in leadership motivation and increased effectiveness in daily shop floor management.



### Leadership and Talent Management

At Schaeffler, we follow the globally standardised leadership and talent management practices. Our EDD (Employee Development Dialogue) program maps employee competence with current and future needs of organisation and thus sets basis for a systematic developmental intervention. During the year, we intensified our multi-level leadership development initiatives such as; Young Leadership Program and Accelerated Leadership Program.

### Employee Engagement

Employee engagement is based on trust, integrity, two way commitment and communication between an organisation and its members. With this approach, we ensure our business success.

Sports and cultural activities are given emphasis which finally contribute to better health and motivation of employees while creating a culture of togetherness. We hosted Schaeffler India Cricket League during 2016 where all 4 Schaeffler plants participated whole heartedly.

In order to create health awareness among our employees, a "Health Week" was organised where employees were imparted vital knowledge on health and individual lifestyle. This initiative was warmly accepted and admired by all.

We continue to lay emphasis on regular communication with our employees and their families to share and promote organisational values. Town-hall meetings and different engagement activities are regularly held as a platform to share organisational priorities and best practices with our employees.



Curiosity is the fuel of development and children are curious by nature. They explore, question, and wonder, and by doing so, learn. FAG provides opportunities to employees' children to stoke their inquisitiveness through WEe Wonder Club which organises various engagement activities for the participation of children along with their parents.

During the year WEe Wonder club also organised activities like Drawing / Essay Competition as well as a movie show.



### Helping during need

During 2016 we witnessed some sad events where a few employees expired either due to an accident or prolonged sickness. As a responsible corporate, our "Employee Death Assistance" scheme provided immediate support to the families of deceased. Although life cannot be compensated but this lump sum amount equivalent to 120 months of last salary (basic + DA) drawn by the deceased employee has provided immense relief to the family.

### Other Details

At the end of this year, employee strength of the Company was 1583 (including 58 apprentices). During the year 2016, we maintained our track record of Industrial Harmony and Peace.

## G Environment

At FAG, we traditionally place great emphasis on combining economic success with taking responsible action towards Environment and Society. The commitment to sustainable management is anchored in our corporate management principles. Additionally, we take care of India specific laws and rules in our daily operations.

- Towards fulfilling our responsibility for environment, we systematically analyze risks, evaluate all possible impacts and take appropriate decisions to execute our strategy.
- Our plant at Maneja - Vadodara has long been validated regarding environmental protection in accordance with E-MAS and ISO 14001 certification. In addition, Occupational Safety function is certified in accordance with OHSAS 18001, we also received Energy Certification "ISO 50001:2011" as a part of Effective Energy Management.



- Our new plant at Savli was also recently certified with E-MAS, ISO 14001 and OHSAS 18001.



- We have competent environmental protection and safety officers located at each of our plant sites. These experts have regular communication and interaction with Schaeffler's Global Competence Centre for Environmental Protection and Safety (CC-EHS). This allows clear understanding of global benchmark practices and lessons learnt which are then taken as actionable points in respective plant locations.
- We carry out systematic and periodic measurement of indices such as Water Consumption, Effluent Discharge, Gas Emission and Electric Consumption. These measurements

are transparently shared among all employees. Besides creating general awareness among employees towards environmental protection, the management encourages initiatives that are targeted towards reduction in consumption of resources and improvement in resource efficiency across all our processes.

- New Investment approved for Installation of ETP to enhance the quality of treated water and re-use the same within the factory premises.
- Participation of Employees during various activity i.e. Safety Day celebration, Environment Day celebration, safety training and safety audit.
- Our organisation wide initiative - MOVE (German acronym for "More without Waste") has been very effective in identifying waste in our processes and in improving overall process efficiency. We continue to emphasise on training all our employees at our MOVE Academy where they are imparted training on MOVE principles through classroom studies and simulation games.
- Together with our customers, we design products which are energy efficient. Our plant at Vadodara already produces high performance X-Life bearings. These bearings are designed and manufactured to carry higher load ratings within the existing boundary dimensions. This allows customers to use downsized bearings for the same application or alternatively customers can expect much longer service life in existing applications.
- Our advanced products such as Wheel module combine various functionalities within a bearing and thus significantly reduce system weight and improve reliability and efficiency.
- Our Savli plant is successfully producing Low Friction ball bearings which besides reducing noise levels also reduce friction significantly.
- FAG has strong presence in the Renewable Energy sector. Our comprehensive product portfolio to Wind sector includes technologically advanced Main Rotor shaft bearings, Gear-box bearings and Generator bearings. With ramp up of Large Size bearing plant and commissioning of Black Oxidation facility at Savli, we are now able to design and manufacture customised products for Wind energy customers in India.
- Towards the objective of improving efficiency and reducing Total Cost of Ownership (TCO), we offer comprehensive service portfolio to our customers. Our engineers work in customer's shop floor and identify scope of improving efficiency and reducing overall cost. Due to strong technical capabilities of our service team, our customers can avoid significant break-downs and thus improve overall equipment efficiency.
- In the area of Occupational Safety, our goal is to create Safe and Healthy work environment by designing work stations and workflows based on the principles of Occupational Safety and ergonomics. Our work force is well trained in preventive aspects of safety and is highly motivated to achieve target of "ZERO" work related accidents.

# Management Discussion & Analysis

(Annexure A to the Directors' Report)

## H Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied therein. Important factors that could make a difference include raw material availability and prices thereof, cyclical demand and pricing in the Company's principal markets, changes in Government regulations and tax regime, economic developments within India and the countries in which the Company conducts business and other incidental factors.

**For and on behalf of the Board**

**Avinash Gandhi**  
Chairman  
DIN: 00161107

New Delhi: March 6, 2017



## 1 Company's Philosophy on Code of Corporate Governance

The Company is committed to maintain high standards and continues to practise good Corporate Governance to add long-term value. The core principles of Corporate Governance are:

- Lay emphasis on integrity and accountability.
- Incorporate several practices aimed at a high level of business ethics and effective supervision.
- Provide for enhancement of value for all stakeholders.

FAG India's Corporate Governance conforms to all regulatory and legal requirements. The basic philosophy behind an endeavour towards better Corporate Governance is to achieve business excellence and strengthen the confidence of all stakeholders. It is very important for the Company to combine economic success with acting responsibly towards the environment, people and society. The Company's manner of conducting business is based on compliance of law, fairness, mutual respect and integrity. Under its comprehensive Code of Conduct applicable to the Board, Senior Management and every single employee, FAG India is committed to a culture of sustainability and views it as a prerequisite for the Company's long-term success. This Corporate Governance Report sets out a description of FAG India's Corporate Governance practices.

## 2 Board of Directors

Your Board of Directors, closely monitors the performance of the Company and Management, approves the plans, reviews the strategy and strives to achieve organisational growth. Your Board ensures statutory and ethical conduct with high quality financial reporting. It holds itself accountable to the shareholders as well as other stakeholders for the long-term well-being of the Company.

### (A) Composition of Board

- The management of your Company is entrusted to the Managing Director, who is assisted by a Management Core Team and Senior Executives having rich experience and expertise in their respective fields.
- The 'Board of Directors' is constituted with appropriate combination of Executive Director, Non-executive Directors, Independent Directors and Woman Director, as per the prevailing regulatory requirements. As on December 31, 2016 the Company had nine Directors, out of which eight Directors are Non-executive Directors and out of these eight, three are Independent Directors.
- None of the Directors on the Board is a member of more than 10 committees or a Chairperson of more than 5 committees [as stipulated in Regulation 26(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015] across all the Indian Public Companies, in which he / she is a Director. The necessary disclosure regarding the committee position and other Directorship has been made by the Directors.
- The names and categories of the Directors on the Board, their attendance at Board Meetings, last Annual General Meeting held during the year, number of directorships held by them in Indian Companies (Public and Private) and committee chairmanship / membership held by them in Indian Public Companies are given below. For reckoning the maximum number of chairmanships / memberships in committees, only two committees viz. 'Audit Committee' and 'Stakeholders Relationship Committee' of the Board are considered.

Name of Director(s)	Director Identification Number (DIN)	Category*	No. of Directorships	No. of Membership (Chairmanship) in Committees	Attendance in Board Meetings held in 2016	Attended at last AGM held on April 27, 2016 'Yes' or 'No'
			As on December 31, 2016			
Mr. Avinash Gandhi	00161107	NE & NID	14	6(3)	5	Yes
Mr. Rajendra Anandpara <sup>§</sup>	02461259	E & NID	1	1	5	Yes
Mr. Klaus Rosenfeld	07087975	NE & NID	1	0	2	Yes
Mr. Frank Huber	00689169	NE & NID	1	0	3	Yes
Mr. Dietmar Heinrich	00928243	NE & NID	1	0	4	Yes
Mr. R. Sampath Kumar	00495192	NE & NID	4	0	5	Yes
Dr. Sanak Mishra	00027288	NE & ID	1	2	5	Yes
Mrs. Renu Challu	00157204	NE & ID	9	9(3)	5	Yes
Mr. Rakesh Jinsi	00182187	NE & ID	3	1	5	Yes

\*Category E & NID: Executive and Non-independent Director NE & NID: Non-executive and Non-independent Director  
NE & ID: Non-executive and Independent Director

<sup>§</sup> Ceased to be a Director effective from March 3, 2017

(v) **Executive Director:**

- Mr. Rajendra Anandpara, was a Managing Director till March 3, 2017.
- Mr. Dharmesh Arora, having professional qualification in Mechanical Engineering and Business Administration and vast experience in the Automotive Industry, has been appointed as the Managing Director with effect from March 6, 2017, subject to approval of members at the ensuing 54<sup>th</sup> Annual General Meeting.

(vi) **Independent Directors:**

- Dr. Sanak Mishra, “Fellow Member of the Indian National Academy of Engineering” is a ‘Non-executive and Independent Director’.
- Mrs. Renu Challu, having vast experience in Banking and Finance, is a ‘Non-executive and Independent Director’.
- Mr. Rakesh Jinsi having vast experience in Automotive Industry, is a ‘Non-executive and Independent Director’.

(vii) **Non-independent Directors:**

- Mr. Avinash Gandhi, a professional, having vast experience in the Automobile Industry, is the Chairman of the ‘Board’ and classified as ‘Non-executive and Non-independent Director’.
- Mr. Klaus Rosenfeld, Mr. Dietmar Heinrich and Mr. Frank Huber are professionals, working at senior positions with “Schaeffler Group of companies” and are classified as ‘Non-executive and Non-independent Director’.
- Mr. R. Sampath Kumar is a lawyer, rendering legal services to “Schaeffler Group” and is a ‘Non-executive and Non-independent Director’.

None of the Directors is related inter-se.

**Directors' Shareholding in the Company**

None of the Directors hold shares of the Company as on December 31, 2016.

■ **Profile of Directors seeking Appointment / Re-appointment in 54<sup>th</sup> Annual General Meeting**

<b>Name</b>	<b>Mr. Klaus Rosenfeld</b>
<b>Father's Name</b>	Mr. Hermann Rosenfeld
<b>Date of Birth</b>	May 6, 1966
<b>Director Identification Number</b>	07087975
<b>Qualification</b>	Master of Business Administration
<b>Occupation / Specialisation</b>	Management
<b>Association</b>	Since 2015 with FAG Bearings India Limited
<b>Category</b>	Non-executive and Non-independent Director
<b>Relationship with Directors Inter-se</b>	Not related
<b>Shareholding in the Company</b>	Nil
<b>Directorships*</b>	FAG Bearings India Limited
<b>Committee Memberships<sup>§</sup></b>	NIL

\* *Directorships means Directorships in Indian Companies.*

§ *Memberships means Memberships in Committees of Board of Indian Public Companies.*

■ **Profile of Directors seeking Appointment / Re-appointment in 54<sup>th</sup> Annual General Meeting**

<b>Name</b>	<b>Mr. R. Sampath Kumar</b>
<b>Father's Name</b>	Mr. Seshachari Santhana Raman
<b>Date of Birth</b>	September 4, 1959
<b>Director Identification Number</b>	00495192

*Continued...*

...Continued

Qualification	B.Com (Hons.), LL.B
Occupation / Specialisation	Attorney-at-Law
Association	Since April 1999 with FAG Bearings India Limited
Category	Non-executive and Non-independent Director
Relationship with Directors Inter-se	Not related
Shareholding in the Company	Nil
Directorships*	1 FAG Bearings India Limited 2 Needle Industries (India) Private Limited 3 MGI Coutier Exotech Industries Private Limited 4 FULCRUM ALM Solutions Private Limited
Committee Memberships\$	NIL

\* Directorships means Directorships in Indian Companies.

\$ Memberships means Memberships in Committees of Board of Indian Public Companies.

**Profile of Directors seeking Appointment / Re-appointment in 54<sup>th</sup> Annual General Meeting**

Name	Mr. Dharmesh Arora
Father's Name	Mr. Subhashchandra Arora
Date of Birth	August 8, 1967
Director Identification Number	05350121
Qualification	Professional Qualification on Mechanical Engineering and Business Administration
Occupation / Specialisation	Employed, President & CEO Schaffler India
Association	Since March 2017 with FAG Bearings India Limited
Category	Executive and Non-independent Director
Relationship with Directors Inter-se	Not related
Shareholding in the Company	Nil
Directorships*	1 FAG Bearings India Limited 2 INA Bearings India Private Limited 3 LuK India Private Limited
Committee Memberships\$	FAG Bearings India Limited** Stakeholders Relationship Committee - Member Corporate Social Responsibility Committee - Member

\* Directorships means Directorships in Indian Companies.

\$ Memberships means Memberships in Committees of Board of Indian Public Companies.

\*\* Effective from March 6, 2017.

**(B) Board Meeting(s) During 2016**

In all, five Board Meetings were held during 2016 on the following dates:

Board Meeting (s)	I	II	III	IV	V
Dates	February 12	March 4	April 27	July 28	November 11
Start Timing	11:00 am	02:00 pm	11:30 am	10:30 am	11:00 am
Venue	Mumbai	Delhi	Mumbai	Bengaluru	Gurugram (Gurgaon)

The details of attendance of each of the Directors at the Board Meeting(s) are given above in the table at point no. 2A.



## (C) Board Meeting Procedure

Annual Calendar of Board Meetings for the year is usually considered in the last Board Meeting of the previous year. The notice convening Board Meeting is sent to each of the Directors along with relevant papers well in advance of the meeting date. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. All significant developments and material events are brought to the notice of the Board; either as a part of the agenda papers in advance of the meeting or by way of presentations or circulation of relevant documents during the meeting. The Managing Director briefs the Board on the financial performance of the Company during the previous quarter and trend analysis as compared to the budgets, operational performance and market scenario.

The Board has complete access to all the information of the Company. The following information are provided to the Board as and when occasion arises:

1. Annual operating plans, budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the Company and its operating divisions or business segments.
4. Minutes of meetings of Audit Committee & other committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources / Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
13. Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
14. Quarterly details of foreign exchange exposure and the steps taken by the Management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer, etc.

## (D) Code of Conduct

The Company has laid down a Code of Conduct, for all its Board Members and Senior Management Personnel for avoidance of conflicts of interest. The declarations with regard to its compliance have been received for the year 2016 from all the Board Members and Senior Management Personnel.

There were no material financial and commercial transactions, in which Board Members or Senior Management Personnel had personal interest, which could lead to potential conflict of interest with the Company during the year. The Code of Conduct is also available on Company's website on following web-link; [http://www.schaeffler.co.in/content.schaeffler.co.in/en/company/fag\\_in\\_india/investorsrelations/codeofconduct/codeofconduct\\_1.jsp](http://www.schaeffler.co.in/content.schaeffler.co.in/en/company/fag_in_india/investorsrelations/codeofconduct/codeofconduct_1.jsp)

## (E) Familiarisation Programmes to Independent Directors

Induction, orientation or familiarisation programmes are part of our culture and applicable to all layers of management and the Board Members, which are designed based upon the position / job requirements.

Guided by the principles laid down for Corporate Governance under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013, Independent Directors are appraised through familiarisation programmes to provide insights into the Company, including; nature of Industry in which the Company operates, business model of the Company, relevant information on business processes and roles, responsibilities, duties and rights of Independent Directors.

The details of such familiarisation programmes have been disclosed on the website of the Company on following web-link;

[http://www.schaeffler.com/remotemedien/media/\\_shared\\_media/03\\_worldwide/02\\_websites\\_worldwide/india\\_2/company/fag\\_india/ir/independent\\_directors/Familiarisation\\_Programme\\_FAG\\_India.pdf](http://www.schaeffler.com/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/independent_directors/Familiarisation_Programme_FAG_India.pdf)

**3 Audit Committee**

**(A) Composition of Audit Committee**

The Company has an Audit Committee at the Board level, with the powers and roles in accordance with the prevailing regulatory requirements. The Committee acts as a link amongst the Management, Auditors and the Board of Directors. The members of our Audit Committee are:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category
1	Mrs. Renu Challu	Chairperson	Non-executive & Independent
2	Mr. Avinash Gandhi	Member	Non-executive & Non-independent
3	Mr. Rakesh Jinsi	Member	Non-executive & Independent
4	Dr. Sanak Mishra	Member	Non-executive & Independent

The Company Secretary acts as the Secretary to the Audit Committee.

**(B) Meetings of Audit Committee and Attendance of Members**

Details of the Audit Committee Meetings held during 2016 are as follows:

Audit Committee Meeting(s)	I	II	III	IV
Dates	February 12	April 27	July 28	November 11
Start Timing	09:30 am	09:45 am	09:00 am	10:00 am
Venue	Mumbai	Mumbai	Bengaluru	Gurugram (Gurgaon)
Attended by	All the Members			

The Audit Committee invites such of the executives as it considers appropriate to be present at the meeting particularly the Managing Director, the Chief Financial Officer, the representative of Statutory and Cost Auditors and the Internal Auditor of the Company.

All the members of Audit Committee are financially literate and majority of them have accounting and financial management expertise. The Chairperson of the Audit Committee, Mrs. Renu Challu, attended the 53<sup>rd</sup> Annual General Meeting held on April 27, 2016.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- 1 Management discussion and analysis of financial condition and results of operations;
- 2 Statement of significant related party transactions (as defined by the Audit Committee), submitted by Management;
- 3 Management letters / letters of internal control weaknesses issued by the statutory auditors;
- 4 Internal audit reports relating to internal control weaknesses;

- 5 The appointment, removal and terms of remuneration of the Chief Internal Auditor; and

- 6 Statement of deviations.

**(C) Terms of Reference**

The terms of reference of this Committee include matters specified in the Companies Act, 2013, Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and those specified by the Board in writing. Besides having access to all required information within the Company, the Committee may investigate any activity within its terms of reference, seek information from any employee, secure attendance of outsiders with relevant expertise, or obtain legal or other professional advice from external sources, whenever required.

The Audit Committee acts in accordance with the terms of reference which, inter alia, include:

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the Management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to;
  - a) Matters required to be included in the 'Directors Responsibility Statement'
  - b) Changes, if any, in accounting policies and practices and reasons for the same
  - c) Major accounting entries involving estimates based on the exercise of judgment by Management
  - d) Significant adjustments made in the financial statements arising out of audit findings
  - e) Compliance with listing and other legal requirements relating to financial statement
  - f) Disclosure of any related party transactions
  - g) Qualifications / modified opinion(s) in the draft audit report
5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval;
6. Reviewing, with the Management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the Company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the Company, wherever it is necessary;
11. Evaluation of internal financial controls and risk management systems;
12. Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems;
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
14. Discussion with internal auditors of any significant findings and follow up thereon;
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
18. To review the functioning of the Whistle Blower Mechanism;
19. Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background, etc. of the candidate;
20. Carrying out any other function as is included in the terms of reference of the Audit Committee.

## 4 Nomination and Remuneration Committee (NRC)

Pursuant to provisions of Section 178 of the Companies Act, 2013 read with Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Nomination and Remuneration Committee of the Board (hereinafter referred as 'NRC') was lastly re-constituted at the Board Meeting held on February 11, 2015.

### (A) Composition of NRC

The members of our Nomination and Remuneration Committee are:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category
1	Dr. Sanak Mishra	Chairman	Non-executive & Independent
2	Mr. Avinash Gandhi	Member	Non-executive & Non-independent
3	Mr. Dietmar Heinrich	Member	Non-executive & Non-independent
4	Mr. Rakesh Jinsi	Member	Non-executive & Independent



**(B) Meetings of NRC**

During the year 2016 two meetings of NRC were held, details of which are as follows;

NRC Meeting	Dates	Start Timing	Venue	Attended by
I	February 12	08:30 am	Mumbai	Dr. Sanak Mishra Mr. Avinash Gandhi Mr. Dietmar Heinrich Mr. Rakesh Jinsi
II	March 4	12:30 pm	New Delhi	Dr. Sanak Mishra Mr. Avinash Gandhi Mr. Rakesh Jinsi

**(C) Terms of Reference of NRC**

The Committee acts as a link between the Management and the Board of Directors. Besides having access to all required information within the Company, the Committee may investigate any activity within its terms of reference, seek information from any employee, secure attendance of outsiders with relevant expertise or obtain legal or other professional advice from external sources, whenever required. The Committee shall act in accordance with the terms of reference which shall, inter alia, include:

- i) Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy,

relating to the remuneration of the Directors, key managerial personnel and other employees;

- ii) Formulation of criteria for evaluation of Independent Directors and the Board;
- iii) Devising a policy on Board diversity;
- iv) Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.
- v) Whether to extend or continue the term of appointment of the Independent Directors, on the basis of the report of performance evaluation of Independent Directors.

**5 Managerial Remuneration**

**(A) Remuneration to the Executive Director (Managing Director)**

As per the Employment Agreement dated August 1, 2014, approval of the shareholders by way of ordinary resolution passed on April 24, 2014 and approval of the Board by way of Board Resolution passed on February 12, 2016, the details of remuneration paid / payable for 2016 to the Managing Director are as follows;

	(₹ in million)
Salary & Performance Bonus	8.10
Allowance & Perquisites	3.89
Company's contribution to funds	1.53
<b>Total</b>	<b>13.52</b>

Notes:

- (a) Company's contributions to fund include Superannuation Fund and Provident Fund and exclude the accruals for gratuity as it is funded on the basis of an actuarial valuation for the Company as a whole.
- (b) The Company did not have any Stock Option Scheme as at December 31, 2016.

**(B) Remuneration to the Non-executive Directors**

As per shareholders' approval by way of Ordinary Resolution passed at 53<sup>rd</sup> AGM on April 27, 2016, Directors (except those who are in whole-time employment of the Company or other Schaeffler Associate Company) are paid 'Sitting Fees' for attending Board / Committee Meetings and 'Profit Related Commission' based on performance of the Company and performance evaluation criteria set forth in the Nomination and Remuneration Policy.

The details of sitting fees for attending Board / Committee Meetings and profit related commission paid to them during the year are as follows:

Name of the Directors	Number of Meetings attended					Amount (₹)	
	Board Meetings	Audit Committee Meetings	Stakeholders Relationship Committee	Nomination & Remuneration Committee	Corporate Social Responsibility Committee	Sitting Fees	Commission
	₹ 50,000/- per meeting	₹ 40,000/- per meeting		₹ 30,000/- per meeting			
Mr. Avinash Gandhi	5	4	-	2	-	470,000	1,050,000

Continued...

# Corporate Governance Report

(Annexure B to the Directors' Report)

...Continued

Name of the Directors	Number of Meetings attended					Amount (₹)	
	Board Meetings	Audit Committee Meetings	Stakeholders Relationship Committee	Nomination & Remuneration Committee	Corporate Social Responsibility Committee	Sitting Fees	Commission
	₹ 50,000/- per meeting	₹ 40,000/- per meeting	₹ 30,000/- per meeting				
Mrs. Renu Challu	5	4	1	–	2	500,000	700,000
Dr. Sanak Mishra	5	4	1	2	–	500,000	700,000
Mr. Rakesh Jinsi	5	4	–	2	2	530,000	700,000
Mr. R. Sampath Kumar	5	–	–	–	–	250,000	700,000
<b>Total</b>						<b>2,250,000</b>	<b>3,850,000</b>

All the Directors have been reimbursed expenses incurred by them in discharge of their duties. The payments made to a Director in his / her individual capacity or to his / her relatives have been disclosed. However, none of these Directors has any material pecuniary relationship or transactions with the Company, its promoters, its Directors, its senior management or holding Company, subsidiaries and its associates which may affect their independence. The Company has not entered into any materially significant transaction with promoters, Directors

or their relatives or its management or subsidiary that may have potential conflict with the interests of the Company.

Transactions of the Non-executive Directors or their relatives with the Company during the year 2016 are as follows:

1. ₹ 78,000/- was paid to relative of Mr. Avinash Gandhi towards rent.
2. Professional consultation fees paid to Mr. R. Sampath Kumar is ₹ 361,150/-.

## 6 Stakeholders Relationship Committee (SRC)

Pursuant to provisions of Section 178(5) of the Companies Act, 2013 read with Regulation 20 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, 'Stakeholders and Relationship Committee' (hereinafter referred as SRC) of the Board has been constituted to especially look into the mechanism of redressal of grievances of shareholders.

### (A) Composition of SRC

The Committee consist of following members:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category
1	Mrs. Renu Challu	Chairperson	Non-executive & Independent
2	Mr. Dharmesh Arora*	Member	Executive & Non-independent
3	Dr. Sanak Mishra	Member	Non-executive & Independent

\* Mr. Rajendra Anandpara ceased to be a Member of Committee effective from March 3, 2017

The Committee was reconstituted on March 6, 2017 and thereby Mr. Dharmesh Arora has been appointed as member of SRC with effect from March 6, 2017.

### (B) Meetings of SRC and Attendance of Members

The Committee meets to deal with matters relating to redressal of complaints from shareholders regarding transfers, non-receipt of Annual Report, non-receipt of declared dividends, etc. and to review effectiveness of Investors' relations system of the Company. During the year SRC met on April 26, 2016 and the meeting attended by all the members.

The Company Secretary Mr. Raj Sarraf is a Compliance Officer of the Company.

During 2016, one (1) complaint was received, which was attended to and resolved satisfactorily. There was no complaint pending as on December 31, 2016.

## 7 Corporate Social Responsibility Committee

Pursuant to provisions of Section 135 of the Companies Act, 2013, 'Corporate Social Responsibility Committee' (hereinafter referred as CSR Committee) of the Board comprised of following members:

### (A) Composition of CSR Committee

Sr. No.	Name of Director(s)	Acting in the Committee as	Category
1	Mr. Rakesh Jinsi	Chairman	Non-executive & Independent
2	Mr. Dharmesh Arora*	Member	Executive & Non-independent
3	Mrs. Renu Challu	Member	Non-executive & Independent

\*Mr. Rajendra Anandpara ceased to be a Member of Committee effective from March 3, 2017

The Committee was lastly reconstituted on March 6, 2017 and thereby Mr. Dharmesh Arora has been appointed as member of CSR Committee with effect from March 6, 2017.

### (B) Meetings of CSR Committee and Attendance of Members

CSR Committee Meetings	Dates	Start Timing	Venue	Attended by
I	April 26	05:30 pm	Mumbai	All the members
II	November 11	03:00 pm	Gurugram (Gurgaon)	All the members

## 8 General Body Meetings

Details of Annual General Meetings held in last three years are as follows:

Particulars	Meetings		
	53 <sup>rd</sup> AGM	52 <sup>nd</sup> AGM	51 <sup>st</sup> AGM
<b>Date</b>	April 27, 2016	April 24, 2015	April 24, 2014
<b>Start Timing</b>	3:00 pm	3:00 pm	3:00 pm
<b>Venue</b>	Kamalnayan Bajaj Hall, 226, Ground Floor, Bajaj Bhavan, Nariman Point, Mumbai - 400 021, Maharashtra, India	Padmabhushan Vasantdada Patil Sabhagruha, Sakhar Bhavan, 12 <sup>th</sup> Floor, Nariman Point, Mumbai - 400 021, Maharashtra, India	Kamalnayan Bajaj Hall, 226, Ground Floor, Bajaj Bhavan, Nariman Point, Mumbai - 400 021, Maharashtra, India
<b>Resolutions Passed</b>			
<b>Ordinary Business:</b>			
(1) Adoption of Accounts as at	December 31, 2015	December 31, 2014	December 31, 2013
(2) Declaration of Dividend	₹ 10 per equity share of ₹ 10 each	₹ 7.5 per equity share of ₹ 10 each	₹ 6 per equity share of ₹ 10 each
(3) Re-appointment of Rotational Directors	Mr. Avinash Gandhi	Mr. R. Sampath Kumar	Mr. Avinash Gandhi
	Mr. Dietmar Heinrich	Mr. Frank Huber	Mr. Moreshwar Garde
(4) Appointment/Ratification of Appointment of Auditors & to fix their remuneration	Ratification of Appointment	Appointment	Appointment
	B S R & Co. LLP, Chartered Accountants, Mumbai		
<b>Special Business:</b>			
(1) Appointment of Directors	–	Dr. Sanak Mishra Mrs. Renu Challu Mr. Rakesh Jinsi Mr. Klaus Rosenfeld	Mr. Dharmesh Arora Mr. Robert Schullan Mr. Dietmar Heinrich

Continued...



Particulars	Meetings		
	53 <sup>rd</sup> AGM	52 <sup>nd</sup> AGM	51 <sup>st</sup> AGM
(2) Approval on	Material Related Party Transactions (Ordinary Resolution)	Material Related Party Transactions (Special Resolution)	Re-appointment of Managing Director Mr. Rajendra Anandpara
	Remuneration to Non-executive Directors		
(3) Ratification of Remuneration	Remuneration to the Cost Auditors	–	–

- No 'Extraordinary General Meeting' was held during the last three years.
- During the year 2016, no Special resolution was passed through Postal Ballot.
- At the forthcoming 'Annual General Meeting' there is no item on the agenda requiring postal ballot.

## 9 Means of Communication

### Financial Results:

Pursuant to provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, periodical financial results and other publications of the Company are being published in a widely circulated English newspaper (Business Standard) and a Vernacular Marathi newspaper (Tarun Bharat). Financial results, as soon as they are approved by the Board, are forwarded to the Stock Exchanges (BSE & NSE) and also displayed on Company's website: [www.schaeffler.co.in](http://www.schaeffler.co.in)

### Filings with Stock Exchanges:

All the reports, statements, documents, filings and any other information that are required to be submitted with the recognised stock exchange(s) as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are disseminated /uploaded on website <https://listing.bseindia.com/> under "BSE Listing Centre" and on <https://www.connect2nse.com/> under "NSE Electronic Application Processing System (NEAPS)".

The Company generally does not make any presentation to analysts or to institutional investors.

## 10 General Shareholder Information

### (i) 54<sup>th</sup> Annual General Meeting is scheduled to be held

**On:** Friday, the 21<sup>st</sup> day of April, 2017  
**At:** 3:00 pm

**Venue:** Kamal Nayan Bajaj Hall, 226, Ground Floor, Bajaj Bhavan, Nariman Point, Mumbai - 400 021, Maharashtra, India.

### (ii) Financial Year

The Hon'ble Bench of Company Law Board, New Delhi has considered the petition filed by the Company under Section 2(41) of the Companies Act, 2013 and allowed the Company to continue to follow 'Calendar Year' as the 'Financial Year'.

A twelve month period starting from January 1, 2017 to December 31, 2017.

Financial Reporting for the respective quarters of 2017 would be carried out within time limit, as per prevailing regulatory requirements.

### (iii) Date of Book Closure

April 15, 2017 to April 20, 2017 (Both days inclusive)

### (iv) Dividend

The Dividend for the year 2016 may be declared under agenda item no. 2 of forthcoming 54<sup>th</sup> Annual General Meeting scheduled on April 21, 2017, and shall be paid within the time limit prescribed in the Companies Act, 2013.

### (v) Audit in 2016

Sr. No.	Audits	Auditors
1	Statutory Auditor	B S R & Co LLP, Chartered Accountants, Mumbai Firm Regn. No. 101248W / W-100022
2	Cost Auditor	Y. S. Thakar & Co., Cost Accountants, Vadodara Firm Regn. No. 000318
3	Financial Year Audit and Tax Audit	K. C. Mehta & Co., Chartered Accountants, Vadodara Firm Regn. No. 106237W
4	Secretarial Audit / Reconciliation of Share Capital Audit	Samdani Kabra & Associates Company Secretaries, Vadodara

### (vi) Listing of Equity Shares on Stock Exchanges

The Equity Shares of the Company are listed on;

- BSE Limited (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001, Maharashtra, India.
- National Stock Exchange of India Limited (NSE), Exchange Plaza, C-1, Block "G", Bandra Kurla Complex, Bandra (E), Mumbai - 400 051, Maharashtra, India.

The requisite listing fees have been paid to the Stock Exchanges up to March 31, 2017.

### (vii) Custodial Fee to Depositories

The Company has paid custodial fees for the year 2016 - 2017 to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

### (viii) Stock Code

BSE Limited (BSE)	505790
National Stock Exchange of India Limited (NSE)	FAGBEARING
International Security Identification Number (ISIN)	INE513A01014
Corporate Identification Number (CIN)	L29130MH1962PLC012340

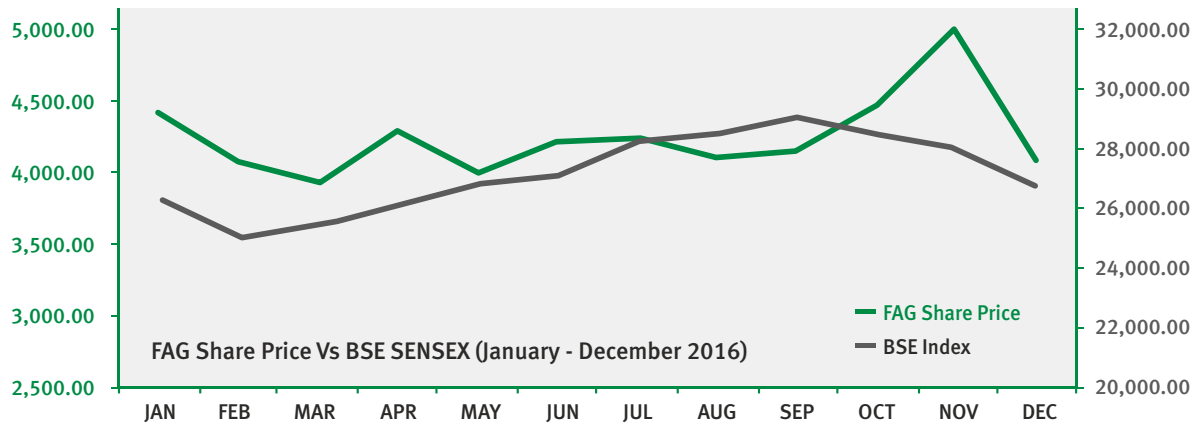
### (ix) Market Price Data

A summary containing monthly High / Low share prices at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) is as under:

For the Year 2016	Equity Shares			
	BSE Limited (BSE)		National Stock Exchange of India Limited (NSE)	
	High (₹)	Low (₹)	High (₹)	Low (₹)
January	4,438.00	3,775.00	4,402.00	3,766.15
February	4,097.70	3,710.00	4,055.05	3,700.00
March	3,956.00	3,706.50	3,975.00	3,740.00
April	3,780.00	3,770.00	4,298.80	3,763.40
May	4,015.00	3,850.00	4,040.00	3,770.05
June	4,244.50	3,860.00	4,299.95	3,840.05
July	4,260.00	3,970.00	4,274.00	3,955.00
August	4,123.85	3,965.65	4,238.00	3,944.00
September	4,170.00	4,005.00	4,200.00	4,000.00
October	4,485.00	4,045.00	4,479.00	4,050.00
November	4,998.00	3,971.05	4,469.65	3,865.00
December	4,099.95	3,780.00	4,145.45	3,775.15

(x) **Stock Performance**

The performance of the Company's shares relative to the BSE Sensitive Index for the year 2016 is given below:



(xi) **Registrar and Share Transfer Agent (RTA)**

The details are as under:

<b>Name:</b>	<b>Address :</b>	<b>Phone:</b>	<b>E-mail:</b>
Link Intime India Private Limited	B-102 & 103, Shangrila Complex, 1 <sup>st</sup> Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara - 390 020, Gujarat, India.	+91-265-2356573, 2356794	vadodara@linkintime.co.in
		<b>Fax:</b>	<b>Website:</b>
		+91-265-2356791	www.linkintime.co.in

'Link Intime India Private Limited' is acting as 'Registrar & Share Transfer Agent' for Company's Equity shares in physical and dematerialised form.

(xii) **Share Transfer System**

Trading of Company's equity shares is possible in physical as well as dematerialised form. Shares sent for transfer in physical form are registered on a fortnightly basis and returned within prescribed period from the date of receipt of document provided all the documents are valid and complete in all respects. This practice was changed from October 01, 2012 as per the new guidelines issued by the Securities and Exchange Board of India. Consequently, now shares sent for transfer in physical form are registered on a weekly basis and returned within a period of fifteen days from the date of receipt of documents, provided all the documents are valid and complete in all respect. The authority to approve the share transfer / transmission lies with the Board of Directors.

Further, with an intention to expedite the process of share transfer / transmission, the Board has delegated authority in favour of 'Key Managerial Personnel' up to 5,000 shares per transfer deed including demat request and to issue duplicate share certificates in lieu of originals up to 2,000 shares per request.

The Company confirms that there is no share transfer pending as on December 31, 2016, for more than fifteen days, from the date of lodgement thereof. All requests for demat / remat received by the Company / Registrar and Transfer Agent were confirmed / rejected within prescribed period from the date of receipt thereof.

(xiii) **Information of Dividend**

Pursuant to provisions of law, the Company is committed to make timely payment of dividend. The dividend amount that remains unpaid or unclaimed for the financial year ended on December 31, 2009 is due to be transferred, on May 29, 2017 to "Investor Education and Protection Fund (IEPF)" a Fund constituted by the Central Government.

Entitled Members are requested to lodge their claims before the last date for claiming unpaid / unclaimed dividend as shown in the table below for the dividend in respective years. For the claims lodged after the last due dates, the Company does not take any responsibility for payment, as the balance amount on last due dates shall be transferred to the IEPF.

■ **Details of unclaimed and unpaid dividend**

Year ended on	Date of declaration of dividend	Amount due for transfer to IEPF on	Amount lying unpaid (₹) as on 31.12.2016
31.12.2009	22.04.2010	29.05.2017	452,839.00
31.12.2010	21.04.2011	28.05.2018	510,020.00
31.12.2011	20.04.2012	27.05.2019	968,450.00

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Year ended on	Date of declaration of dividend	Amount due for transfer to IEPF on	Amount lying unpaid (₹) as on 31.12.2016
31.12.2012	25.04.2013	26.05.2020	562,230.00
31.12.2013	24.04.2014	26.05.2021	637,338.00
31.12.2014	24.04.2015	24.05.2022	738,337.00
31.12.2015	27.04.2016	30.05.2023	1,010,980.00
<b>Total amount lying unpaid as on December 31, 2016</b>			<b>4,880,194.00</b>

(xiv) Distribution of Shareholding

Analysis of Shareholding	31.12.2016			31.12.2015		
	Number of Shareholders	Number of Shares held	% to Paid up Capital	Number of Shareholders	Number of Shares held	% to Paid up Capital
1 - 50	7,038	106,647	0.64	6,107	100,317	0.60
51 - 100	1,244	103,693	0.62	1,347	112,215	0.68
101 - 250	1,005	171,407	1.03	1,112	189,565	1.14
251 - 500	498	182,931	1.10	526	192,944	1.16
501 - 1,000	306	227,622	1.37	319	235,638	1.42
1,001 - 5,000	219	479,554	2.89	234	501,691	3.02
5,001 and above	120	15,345,416	92.35	126	15,284,900	91.98
<b>Total</b>	<b>10,430</b>	<b>16,617,270</b>	<b>100.00</b>	<b>9,771</b>	<b>16,617,270</b>	<b>100.00</b>

Note: The information given above in Distribution Schedules is on the basis of a Certificate received from the Registrar & Transfer Agent, Link Intime India Private Limited, on which the auditors have relied.

(xv) Category-wise summary of Shareholding

(As on December 31, 2016)

Sr. No.	Category	No. of Shareholders	No. of Shares	%
1	Promoters (FAG Kugelfischer GmbH)	1	8,529,183	51.33
2	Mutual Fund	82	4,296,603	25.86
3	Foreign Portfolio Investor	37	924,989	5.57
4	Public	9,378	1,314,083	7.91
5	Bodies Corporate	267	1,231,914	7.41
6	Others	665	320,498	1.92
	<b>Total</b>	<b>10,430</b>	<b>16,617,270</b>	<b>100.00</b>

(xvi) Top Ten Shareholders with their Shareholdings

(As on December 31, 2016)

Sr. No.	Name of Shareholder	Category*	Number of Shares held	% of total Paid-up Share Capital
1	FAG Kugelfischer GmbH	Promoter	8,529,183	51.33
2	IDFC Premier Equity Fund	MF	432,016	2.60
3	Sundaram Mutual Fund A/c Sundaram Select Midcap	MF	374,675	2.25
4	HDFC Trustee Company Ltd. A/c HDFC Midcap Opportunities Fund	MF	348,314	2.10
5	HDFC Standard Life Insurance Company Limited	OBC	339,595	2.04

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Sr. No.	Name of Shareholder	Category*	Number of Shares held	% of total Paid-up Share Capital
6	Franklin Templeton Mutual Fund A/c Franklin India Prima Fund	MF	275,740	1.66
7	Franklin India Smaller Companies Fund	MF	218,136	1.31
8	Shree Capital Services Limited	OBC	212,470	1.28
9	TVS Fund Limited	FPI	201,424	1.21
10	SBI Blue Chip Fund	MF	197,974	1.19
<b>TOTAL</b>			<b>11,129,527</b>	<b>66.97</b>

\* MF - Mutual Fund, OBC - Other Body Corporate, FPI - Foreign Portfolio Investor

(xvii) **Dematerialisation of Shares and liquidity**

98.83% of the Paid-up Equity Share Capital is held in Dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited as on December 31, 2016.

	NSDL	CDSL	Physical	Total
Shares (nos.)	16,055,464	367,263	194,543	16,617,270
Shares (%)	96.62	2.21	1.17	100.00

(xviii) **Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity: NIL**

(xix) **Plant Location**

The manufacturing activities are being carried out from the plants located at Vadodara, State of Gujarat.

(xx) **Address for correspondence**

Shareholders / Beneficial owners are requested to correspond with the Company's RTA (Registrar & Share Transfer Agent) as shown in Para (xi) above with respect to any query, request, information or clarification pertaining to shares and are further advised to quote their folio number, DP & Client ID number as the case may be, in all correspondence with it. Additionally shareholders may correspond at the following addresses:

**Registered Office:**

Nariman Bhavan, 8<sup>th</sup> Floor, 227, Backbay Reclamation,  
Nariman Point, Mumbai - 400 021, Maharashtra, India.  
Phone: +91 22-6681 4444 to 6681 4499 Fax: +91-22-2202 7022

**Head Office:**

P.O. Maneja, Vadodara - 390 013, Gujarat, India.  
Phone: +91-265-660 2000-2004 Fax: +91-265-263 8804  
E-mail: raj.sarraf@schaeffler.com

(xxi) **Information through Internet / Company's Website**

The information pertaining to financial performance, shareholding pattern, compliance with Corporate Governance and announcements are being uploaded on the website of BSE & NSE and can be viewed by the general public on [www.bseindia.com](http://www.bseindia.com) and <https://www.nseindia.com>. Apart from this, the Company's website [www.schaeffler.co.in](http://www.schaeffler.co.in) contains comprehensive information about the Company, its products, services, solutions, press releases and investor's information, etc. The required information is being placed from time to time on the website.

coverage of more bank branches and ease of operations.

NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solutions (CBS) for centralised processing of inward instructions and efficiency in handling bulk transactions.

To enable remittance of dividend through NECS, Members are requested to provide their new account number allotted to them by their respective banks after implementation of CBS. The account number must be provided to the Company in respect of shares held in physical form and to the Depository Participants in respect of shares held in electronic form.

(xxii) **Other useful information to shareholders**

**ECS / NECS Facility**

The Company uses "Electronic Clearing Services" (ECS) facility for remitting dividend to its shareholders wherever available.

In terms of notification issued by the Reserve Bank of India, with effect from October 1, 2009, remittance of dividend through ECS is replaced by "National Electronic Clearing Services (NECS)". Banks have been instructed to move to the NECS platform. The advantages of NECS over ECS include faster credit of remittance to the beneficiary's account,

Shareholders holding shares in physical form are requested to provide details of their bank account for availing NECS facility in the form attached to the Notice of the Annual General Meeting. However, if the shares are held in dematerialised form, the NECS mandate has to be communicated to the Depository.

(xxiii) The Management Discussion and Analysis Report for the year ended on December 31, 2016, forms part of the Annual Report.

**11 Disclosures**

- (i) The Board has received disclosures from the Senior Management relating to material, financial and commercial transactions, where they and/or their relatives have personal interest. There are no materially significant related party transactions of the Company, which have potential conflict with the interest of the Company at large; however, transactions with related parties as per requirements of Accounting Standard (AS) 18 are disclosed under notes to accounts.
- (ii) All transactions with related party, as defined under the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 during the year were in ordinary course of business and at arm's length basis and do not attract provisions of Section 188 of the Companies Act, 2013. The Board has approved a policy on dealing with related party transactions, and the same has been uploaded on the Company's website on following web-link;  
[http://www.schaeffler.com/remotemedien/media/\\_shared\\_media/03\\_worldwide/02\\_websites\\_worldwide/india\\_2/company/fag\\_india/ir/codes\\_policies/Policy\\_on\\_Related\\_Party\\_Transactions.pdf](http://www.schaeffler.com/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/Policy_on_Related_Party_Transactions.pdf)
- (iii) The Company has established Vigil Mechanism to provide for the safeguards against victimisation of Directors and employees who follow such mechanism. The Board has approved Whistle Blower Policy/establishment of Vigil Mechanism pursuant to Provisions of Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the same has been put up on the website of the Company on following web-link;  
[http://www.schaeffler.com/remotemedien/media/\\_shared\\_media/03\\_worldwide/02\\_websites\\_worldwide/india\\_2/company/fag\\_india/ir/codes\\_policies/Vigil\\_Mechanism\\_OR\\_Whistle\\_Blower\\_Policy.pdf](http://www.schaeffler.com/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/Vigil_Mechanism_OR_Whistle_Blower_Policy.pdf)  
 As per the Policy no person has been denied access of the Audit Committee.
- (iv) There have been no instances of any non-compliance and no penalties or strictures have been imposed on the Company on any matter relating to the capital market, either by Stock Exchange, Securities and Exchange Board of India or any statutory authority during the last three years.

- (v) The Company has adopted and complied with mandatory requirements as per provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Some of the non-mandatory requirements have also been complied with.
  - (vi) The requisite certificates from CEO and CFO were placed before the Board Meetings for consideration.
  - (vii) The Company has adequate risk assessment and minimisation system in place. The risk management procedure is reviewed periodically.
  - (viii) The Company has complied with the Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
  - (ix) To determine 'material subsidiary', the Company has adopted a 'Policy on Determination of 'Material' Subsidiary and the same has been hosted on the website of the Company on the following web link;  
[http://www.schaeffler.co.in/remotemedien/media/\\_shared\\_media/03\\_worldwide/02\\_websites\\_worldwide/india\\_2/company/fag\\_india/ir/codes\\_policies/Policy\\_on\\_Determination\\_of\\_Material\\_Subsiidiary.pdf](http://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/Policy_on_Determination_of_Material_Subsiidiary.pdf)
- Discretionary Requirements [Reg. 27(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Schedule II - Part E]
- (A) **The Board**  
 Mr. Avinash Gandhi, being Non-executive Chairman, is entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.
  - (B) **Audit Qualification / Modified Opinion(s)**  
 There has been no Audit Qualification / Modified Opinion(s) in the Audit Report by the Auditor in the year 2016.
  - (C) **Separate Posts of Chairman and CEO**  
 The Chairman and Managing Director are two separate individuals having vast experience and expertise.
  - (D) **Reporting of Internal Auditor**  
 Internal Auditor submits report to the Audit Committee regularly.

**For and on behalf of the Board**  
**Avinash Gandhi**  
 Chairman  
 DIN: 00161107

New Delhi: March 6, 2017

To,  
 The Members of FAG Bearings India Limited

**Re.: Declaration by CEO**

I, DHARMESH ARORA, Managing Director of FAG Bearings India Limited, hereby declare that to the best of my knowledge and belief, all members of the Board of Directors and Senior Management Personnel have confirmed compliance with Company's Code of Conduct for the year ended on December 31, 2016.

New Delhi: March 6, 2017

**Dharmesh Arora**  
 Managing Director & CEO  
 DIN: 05350121



## To the Members of FAG Bearings India Limited

We have examined the compliance of the conditions of Corporate Governance by FAG Bearings India Limited for the year ended December 31, 2016 as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (herein after referred to as 'Listing Regulations').

The Compliance of conditions of corporate governance is the responsibility of the Company's Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Governance. It is neither an audit nor an expression of an opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Regulations.

We state that in respect of investor grievances received during the year ended December 31, 2016, no investor grievance is pending against the Company, as per the records maintained by the Company and presented to the Stakeholders Relationship Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Vadodara: January 30, 2017

**Suresh Kumar Kabra**  
Company Secretary  
Partner

**Samdani Kabra & Asso.**  
Company Secretaries  
ACS No. - 9711  
CP No. - 9927

## A Conservation of Energy

A number of measures aimed at energy conservation have been adopted during the year 2016 with best available solutions globally. At the same time, keeping in line with the trend of power factor at 100% constant, the following steps were taken:

- Avoiding water cooling to save water consumption in compressors and cooling towers, replacing old technology of centralised AC system with VRF based Air Cooled centralised systems;
- Reduction in utilisation of compressed air by which we achieved a substantial conservation of energy, regaining of used oil from grinding dust by installing sludge compression system, resulting in conservation of natural resources.

### 1. The Steps taken / Impact on Conservation of Energy:

- Air Cooled AC with multi scroll compressors installed in Hall 3 Face & OD for efficient use of energy and controlled atmosphere in place of water cooled AC system.
- Hall 5 Central AC Plant - Oil additives added to improve the cooling efficiency of the system leading to energy saving.
- Use of compressed air replace by Electro Vibrators at ring feeding systems in other area (Parallel deployment).
- ETP - further Improved the drive system for Aerators of ETP by installation of VFDs.
- Washing system - Washing media changed from ISOPAR to EXXOL D 95 leading to savings and reduction in safety hazard in Hall 1 - Ball Bearing area.
- Roof painted for UV heat reflection to reduce indoor temperature leading to improvement in comfort levels in Non AC area.
- Decanter installed in ETP for efficient removal of sludge from ETP.
- In Hall 3 conventional FTLs replaced by LED lights for energy saving.
- Automation of campus lighting by use of LDR done.
- New energy efficient Air Dryer Installed for compressed air system.
- Minimise environment impact by recycling grinding dust to reuse by end users.

### 2. The Steps taken by the Company for utilising Alternate Sources of Energy:

- Proposal for Installation of Solar Rooftop at Administration Building of 35 KW is under consideration for installation.
- Rainwater harvesting system optimisation by ground water level improved.
- Reduction in freshwater consumption of 13% by optimising current resources of recycling.

### 3. The Capital Investment on Energy Conservation Equipment:

Keeping in mind future plans for long term energy conservation challenges we invested this year in many area of energy conservation and environment preservation:

- New energy meters for transformers for integrating them with SCADA in future.
- Air Cooled Multi scroll compressor AC for face & OD Hall 3.
- Decanter for efficient removal of sludge from ETP.
- Installation and commissioning of Dehumidifier for Hall 5 material incoming area.
- Pre-coat honing system installed in Hall 1, Hall 4 & Hall 5 for improvement in quality of honing oil.
- Magnetic filter trap for improvement of washing media quality procured and under installation.
- Double walled tanks for industrial effluent collection under progress.

## B Technology Absorption

- We, at FAG India constantly drive our products with latest manufacturing technology benchmarked as best-in-class world wide, developing a series of grinding and super finishing machines with world-class assembly equipment.
- FAG India invested in latest Interlinked Centreless Outer Diameter Grinding machines and Super Finishing machines for our DGBB segment.
- As a part of "Make in India" initiative we have invested in a through feed super finishing machine for the Rollers which has been completely designed and manufactured here in India.

*Continued...*

# Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

Annexure C to the Directors' Report

...Continued

- As a solution provider for the region, we have identified a local Face Grinding Machine supplier for our Face Grinding Technology and are in the process of developing this supplier for all our future requirements in the region.
- Looking at the challenging markets, low-cost solutions are the need of the day. We have developed a Centreless Grinding machine supplier. One machine is already planned.
- Assessment of existing machines and technology in terms of quality, costs and delivery made us stronger in making further improvements in our machines and products.
- Keeping productivity and quality in focus, all resources aim together for using right technology at right place and developing necessary human asset accordingly.
- Key investments are planned to expand the capacity with latest technology in Wheel Bearings, and DGBB which will further enhance our edge of competitiveness.
- With all these initiatives we are equipped with necessary information for next level of quality achievement.
- With focus on our component manufacturing area, we have also invested in world-class roller manufacturing facility to cater to the customers' requirements.

## C Foreign Exchange Earnings and Outgo

(₹ in million)

Particulars	31.12.2016	31.12.2015
<b>Earnings:</b>		
<b>Earnings in foreign exchange:</b>		
Service Income	1.2	9.4
FOB value of exports	2,947.3	2,973.0
Other	13.5	14.3
<b>Total foreign exchange earned</b>	<b>2,962.0</b>	<b>2,996.7</b>
<b>Outgo:</b>		
<b>CIF value of Imports:</b>		
Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital Goods and intangible assets	6,794.2	6,095.9
<b>Expenditure in foreign currency</b>		
Interest on foreign currency loans, Fees for use of Technology, Interest on foreign suppliers credit, Professional fees and other expenses	488.0	415.1
Dividend paid to Shareholders (net of tax)	85.3	64.0
<b>Total foreign exchange used</b>	<b>7,367.5</b>	<b>6,575.0</b>

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

New Delhi: March 6, 2017

[Pursuant to Section 134 (3)(h) of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014]

(A) Details of contracts or arrangements or transactions not at arm's length basis: Nil

(B) Details of material contracts or arrangements or transactions at arm's length basis:

<b>Name(s) of related party &amp; nature of relationship</b>	Schaeffler Technologies AG & Co. KG, Germany Associate Company
<b>Nature of contracts / arrangements / transactions</b>	Sale, Purchase or Supply of Goods, Material & Services including Sale and Purchase of tangible fixed assets.

**Summary of transactions carried out with Schaeffler Technologies AG & Co. KG, Germany**

Sr. No.	Nature of Transactions	2016 (₹ in million)		Turnover %
		Actual	Cumulative	
1	Purchase of Finished Goods	3,406.8		
2	Sales of Finished Goods	1,112.1		
3	Purchase of Raw Material & Components	635.4		
4	Purchase of Tangible Fixed Assets/Technical Services	125.5		
5	Service Income - Received	0.1		
6	Charges for SAP/R3 and connectivity - Paid	103.3	5,716.0	30.37
7	Expat Cost - Paid	8.7		
8	Fees for use of technology/trademark - Paid	292.8		
9	Deputation, Traveling, Training, Testing, Insurance, Support Fee & Other Cost - Reimbursed	25.9		
10	Payment on behalf of related parties - Received	5.4		

<b>Duration of contracts / arrangements / transactions</b>	Ongoing
<b>Salient terms of the contracts / arrangements / transactions including the value, if any</b>	As per transfer pricing guidelines
<b>Date(s) of approval by the Board</b>	The Transactions were approved in the Meeting of Audit Committee and Board of Directors held on February 12, 2016. These transactions being 'Material' Related Party Transactions were also approved by the Shareholders in their 53 <sup>rd</sup> Annual General Meeting held on April 27, 2016.
<b>Amount paid as advance, if any</b>	–

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

New Delhi: March 6, 2017



## Annual Report On Corporate Social Responsibility Activities

### (I) FAG's CSR Policy

At FAG, we believe that science and technology are synonymous with economic and human development as both aim to drive progress and improve standard of living while preserving environment and supporting sustainability.

Being a part of the Schaeffler Group and a leading manufacturer of rolling bearings in the country, we find numerous opportunities to contribute to human progress through our innovative technologies and thus touch lives of people. At the same time, being an Indian Company, we are equally motivated by Indian ethos of Dharma as a key plank for organisational self-realisation. We constantly strive to contribute in our humble way to the motto 'सर्वे भवन्तु सुखिनः' - (May everyone be happy) and take up the cause of welfare amongst communities in which we operate.

Delineating our responsibility as a Corporate Citizen, we at FAG are committed to operate our business in an economically, socially & environmentally sustainable manner. At the same time we endeavour to reach out to different sections of the society, with socially relevant projects, that benefit these communities and in small ways enhance the quality of their lives. These initiatives are independent of the normal operations of our Company's business. Programmes, projects and activities (collectively "CSR Programmes") as framed within the purview of Schedule VII of the Companies Act, 2013 as amended from time to time

and are the subject matter of this Policy.

The Company's CSR Policy is made available at below link;  
[http://www.schaeffler.co.in/remotemedien/media/\\_shared\\_media/03\\_worldwide/02\\_websites\\_worldwide/india\\_2/company/fag\\_india/ir/codes\\_policies/Policy\\_on\\_Corporate\\_Social\\_Responsibility.pdf](http://www.schaeffler.co.in/remotemedien/media/_shared_media/03_worldwide/02_websites_worldwide/india_2/company/fag_india/ir/codes_policies/Policy_on_Corporate_Social_Responsibility.pdf)

#### Objectives

We aim to constantly identify and implement unique initiatives which are scalable and sustainable and which have capacity to create a positive impact on the lives of people especially the weaker and underserved or marginalised sections. By contributing to development of health, science and culture, we wish to further all round progress. With a view to extending the reach of CSR initiatives and leveraging collective expertise, FAG will explore opportunities of partnerships with like minded stakeholders.

This Policy lays a framework to identify and implement different CSR initiatives of the Company within the context of this Policy and in alignment with relevant provisions of the Companies Act, 2013 while following high standards of Corporate Governance.

CSR Committee of the Board of FAG Bearings India Limited reviews, improves, directs and monitors effective implementation of this Policy.

### (II) CSR Committee

The Committee comprises of the following members;

Sr. No.	Name of the Directors	Acting in the Committee as	Category
1	Mr. Rakesh Jinsi	Chairman	Non-executive & Independent
2	Mr. Dharmesh Arora*	Member	Managing Director
3	Mrs. Renu Challu	Member	Non-executive & Independent

\* Mr. Rajendra Anandpara ceased to be a Member of Committee effective from March 3, 2017. The Committee was reconstituted on March 6, 2017 and thereby Mr. Dharmesh Arora has been appointed as member of CSR Committee with effect from March 6, 2017.

### (III) CSR Budget - 2016

An amount of ₹ 60.0 million had been budgeted for spending in the year 2016. The amount allocated is higher than Company's 2% of the average net profit (i.e. ₹ 47 million) of preceding three years.

### (IV) CSR Expenditure - 2016

#### (a) Amount spent: ₹ 62.8 million

CSR Programme that are sustainable and making true impact on the deserving sections of the society and programmes that support livelihood and infuse a sense of pride of living especially amongst the underprivileged sections of the society, have been the focus of CSR initiatives. The project-wise details is given in this report.

There has been a commendable progress in projects during the current year, which were at conceptualisation

and initialisation stage in the previous year.

#### Summary of The Projects

##### 1. Maintenance of Hostel for Differently abled Girls

**Need:** It is often experienced that a well-constructed infrastructure loses its allure, if enough attention is not given to the upkeep / maintenance. The state of the art 'the Girl's Hostel' that was built in the previous year required to be maintained well in order to sustain the quality of infrastructure over the years.

**Project:** The Company undertook responsibility for maintenance of the hostel for initial years. Professional maintenance agency is engaged for the upkeep of infrastructural facilities. The agency was also assigned the task of providing orientation to the boarders about the importance of upkeep and hygiene.

**Impact:** Quality of infrastructure is being maintained, enabling students to learn and adopt good practices.

**2. Special Education: Skill for Employability**

**Need:** People living with disabilities encounter many challenges in society and are often subject to stigma and discrimination. We learnt that differently abled students struggle to find a suitable career – with limited opportunities after schooling.

**Project:** FAG India under its CSR banner "HOPE" is opening the door of opportunity for the differently abled through Skill Training and Development. Replacing the 'sans' of their lives with a 'sense' of pride and accomplishment, FAG India under its initiative aims to empower the differently abled youth of our society - helping them to rise to their potential.

**Impact:** With this framework, last year's first batch consisting of 11 differently abled (speech and hearing impaired) students were fully sponsored for the course of Graphic Designing at Arena Animation which is a pioneer in the field of Animation, Web designing, VFX, Gaming and Multimedia. Also, 15 differently abled (speech and hearing impaired) students were fully sponsored for the course of Computer Hardware and Networking at CMSIT Training Institute.

After completion of 6 months of course curriculum, nearly all the students were successfully placed with advertising and textile designing agencies with a decent salary. Looking to the success of the first batch, the second batch for Graphic designing course at Arena Animation comprising 15 students were also sponsored.

**3. Healthcare: Mobi-Health Units**

**Need:** The access to good medical facilities are limited in rural areas. At the same time the health awareness in these areas is lacking. The facilities currently available in such area are inadequate in terms of; quality, reach and consistency.

**Project:** In addition to sustaining the services of Mobi-Health Unit for providing preventive and curative health care services through a team of qualified professionals covering 26 villages surrounding Company's plant at Savli, a special initiative focusing upon a) Child Malnutrition and b) Adolescent Anemia was emphasized during the year.

Also, a second Mobi-Health Unit covering 23 villages surrounding Company's plant at Maneja and Sindhrot areas (which are remotely located) was launched in July 2016, thus expanding the access of facilities to a larger community.

**Impact:** Under this initiative, the objective is not only to offer free primary health care services but also to come up with a specific health / nutrition intervention based on the most pressing need of the community. Our impact assessment study results shows significant benefits to adolescent anemia and childhood malnutrition cases.

Mobi-Health encourages improved disease management and increased use of preventive services. By regularly connecting with the communities we hope to contribute to prevention of diseases in rural areas.

**4. Project Jagriti**

**Need:** Menstruation is a naturally occurring phenomenon among adolescent girls. Menstrual hygiene is an issue that is insufficiently acknowledged and menstrual practices are still clouded by taboos and socio-economic restrictions.

**Project:** Project Jagriti aims at inculcating best menstrual care and hygiene practices for women's empowerment. The purpose is 'de-stigmatising menstruation' to move forward and reclaim the fundamental right to life, equality and dignity for women.

**Impact:** The project helped creating awareness and improving hygiene practices amongst the women in 26 villages surrounding our plants.

**5. Quest on Wheels : Preservation of National Heritage, Art & Culture**

**Need:** The City of Vadodara and State of Gujarat has a rich culture. However, the inhabitants are in general not well informed about this. Also the rich heritage sites in and around Vadodara have not been sufficiently explored. There has been no tourist or travel coach operational in the city.

**Project:** In order to promote awareness about the city's heritage, culture and history, a uniquely designed travel coach 'Quest on Wheels' was introduced by the Company.

Guided tours are conducted twice a week covering attractions like; the majestic Lukshmi Vilas Palace, Sayaji Garden, Vadodara Museum, Nature Park, Narmada Dam and Vikram Sarabhai Space Exhibition at ISRO etc. mainly for the benefit of the students and senior citizens.

The tours provide excellent understanding about the heritage and cultural richness of Vadodara and surrounding places.

**Impact:** The 'Quest on Wheels' tours have been well received by the students as well as senior citizens and helped in creating increased awareness about rich culture and history of city of Vadodara and its surrounding locations.

Over 3400 students of Municipality schools and slum area and over 100 senior citizens have availed benefit of these initiatives.

**6. Adoption of Secondary School at Lamdapura village, Savli**

**Need:** The students, especially tribal and economically backward are deprived of good educational infrastructure as well as quality education.

**Project:** In order to provide good infrastructural facilities to the underprivileged students, the Company has undertaken a project to construct a state of the art school building near its Savli Plant.

Further, to enhance the quality of education with a holistic approach, the Company has undertaken a specific initiative on various levels of educational interventions and trainings.

**Impact:** The Project is at the stage of implementation and is likely to benefit the students especially from tribal and economically backward community to a great extent.

A video showing impact of some of these projects is available on the Company website.

## Manner of spending

Sr. No.	CSR Project/ Activity Identified	Sector in which the project is covered/ Sub-category	Projects/Programs 1. Local Area/Other 2. Specify the State & District where project was implemented	Amount Outlay (Budget) project/ program wise (TINR)	Cumulative expenditure upto the reporting period (Direct exp. on projects + Overheads in 2016) (TINR)	Amount spent: Direct/Through implementation agency
1	Maintenance of Girls Hostel	Special Education	Mook Dhvani Trust, Vadodara	1,000	153	Direct Implementation
2	Promoting livelihood for differently abled	Skill Training & Development	Mook Dhvani Trust, Vadodara	2,500	752	Arena Animation Institute
3	Construction of Secondary School & providing holistic quality educational support	Education	Lamdapura Village surrounding Savli Plant, Dist. Vadodara	48,500	53,829	Direct Implementation
4	Providing preventive & curative health services through Mobi-Health Unit	Health	26 villages surrounding Savli Plant, Dist. Vadodara	2,000	3,133	Deepak Foundation
5	Inculcating best menstrual hygiene & health practices among rural women	Health	26 villages surrounding Savli Plant, Dist. Vadodara	1,500	1,416	Vatsalya Foundation
6	Providing preventive & curative health services through Mobi-Health Unit	Health	23 villages surrounding Maneja & Sindhrot, Dist. Vadodara	2,000	2,000	Deepak Foundation
7	Heritage & educational tours	Art, Heritage & Culture	Govt. Schools surrounding Maneja, Dist. Vadodara	2,500	1,569	Creations
	<b>Total</b>			<b>60,000</b>	<b>62,852</b>	

For FAG Bearings India Limited

**Rakesh Jinsi**  
Chairman of CSR Committee  
(DIN: 00182187)

**Dharmesh Arora**  
Managing Director  
(DIN: 05350121)

New Delhi: March 6, 2017

Information as per Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

**1 The Ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2016 and Percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary in the financial year 2016.**

Sr. No.	Name of the Director	Designation/Category	Ratio of Remuneration of Directors to Median Remuneration	% of increase in Remuneration in Financial Year 2016
<b>I Executive Director</b>				
1	Mr. Rajendra Anandpara	Managing Director	21.8	8
<b>II Non-executive Directors</b>				
2	Mr. Avinash Gandhi	Chairman & Non-independent	2.5	3.4
3	Mr. Klaus Rosenfeld	Non-independent	–	–
4	Mr. Dietmar Heinrich	Non-independent	–	–
5	Mr. Frank Huber	Non-independent	–	–
6	Mr. R. Sampath Kumar	Non-independent	1.5	1.1
7	Mr. Rakesh Jinsi	Independent	2.0	7.9
8	Mrs. Renu Challu	Independent	1.9	4.3
9	Dr. Sanak Mishra	Independent	1.9	4.3
<b>III Key Managerial Personnel</b>				
10	Mr. Satish Patel	Chief Financial Officer	NA	10
11	Mr. Raj Sarraf	Company Secretary	NA	11

**2 The percentage increase in the median remuneration of employees in the financial year:**

The median remuneration of employees of the Company was increased by 9.6% during 2016. (from ₹ 0.549 to 0.602 million per annum).

**3 The number of permanent employees on the rolls of Company as on December 31, 2016 was 1,525.**

**4 Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration**

Internally, performance ratings of all employees are always spread across a normal distribution curve. The rating obtained by an employee is used as an input to determine his variable and merit pay increases. Variable and merit pay increases are calculated using a combination of individual performance and Company performance.

Average percentile increase in salaries of Employees (other than KMP) in 2016: 10.2%

Average percentile increase in salaries of KMP in 2016: 9.5%

There are no exceptional circumstances for increase in managerial remuneration.

**5 Affirmation that the Remuneration is as per the Remuneration policy of the Company**

We affirm that remuneration paid to the Employees & Directors is as per the remuneration policy of the Company.

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

New Delhi: March 6, 2017



# Extract of Annual Return - Form MGT 9

As on Financial Year ended on December 31, 2016  
Annexure - G to the Directors' Report

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management & Administration) Rules, 2014.

## 1 Registration and Other Details

CIN	L29130MH1962PLC012340
Registration Date	April 27, 1962
Name of the Company	FAG Bearings India Limited
Category / Sub-Category of the Company	Public Company / Limited by Shares
Address of the Registered Office and Contact Details	8 <sup>th</sup> Floor, Nariman Bhavan, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021, Maharashtra, India Tel: 022 66814444 to 66814499 Fax: 022 22027022 Website: www.schaeffler.co.in
Whether listed Company	Yes
Name, Address and Contact details of Registrar and Share Transfer Agent	Link Intime India Private Limited B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara - 390 020, Gujarat, India Tel: 0265 2356573 Fax: 0265 2356791 E-mail: vadodara@linkintime.co.in Website: www.linkintime.co.in

## 2 Principal Business Activities of the Company

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Name and Description of Main Products / Services	NIC Code of the Product / Service	% to Total Turnover of the Company
Ball & Roller Bearings & Related Components	2814	99.3%

## 3 Particulars of Holding, Subsidiary and Associate Companies

Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
FAG Kugelfischer GmbH Georg - Schefer - Strasse 30 , 97421 - Schweinfurt, Germany	-	Holding	51.33%	2(46)

**4 Shareholding Pattern (Equity Share Capital Breakup as percentage of Total Equity)**
**(i) Category-wise Shareholding**

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual / HUF	-	-	-	-	-	-	-	-	-
b) Central Government	-	-	-	-	-	-	-	-	-
c) State Government(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	-	-	-	-	-	-	-	-	-
e) Banks / FI	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (1)</b>	-	-	-	-	-	-	-	-	-
<b>(2) Foreign</b>									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other - Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	8,529,183	-	8,529,183	51.33	8,529,183	-	8,529,183	51.33	-
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
<b>Sub-total (A) (2)</b>	<b>8,529,183</b>	<b>-</b>	<b>8,529,183</b>	<b>51.33</b>	<b>8,529,183</b>	<b>-</b>	<b>8,529,183</b>	<b>51.33</b>	<b>-</b>
<b>Total shareholding of Promoter (A)=(A)(1)+(A)(2)</b>	<b>8,529,183</b>	<b>-</b>	<b>8,529,183</b>	<b>51.33</b>	<b>8,529,183</b>	<b>-</b>	<b>8,529,183</b>	<b>51.33</b>	<b>-</b>
<b>B. Public Shareholding</b>									
<b>(1) Institutions</b>									
a) Mutual Funds	4,262,277	-	4,262,277	25.65	4,296,603	-	4,296,603	25.86	0.21
b) Banks / FI	1,850	1,040	2,890	0.02	877	1,040	1,917	0.01	(0.01)
c) Central Government	-	-	-	-	-	-	-	-	-
d) State Government(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	174,444	50	174,494	1.05	174,444	50	174,494	1.05	-
g) Foreign Institutional Investors (FIIs)	662,662	-	662,662	3.99	114,328	-	114,328	0.69	(3.30)
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)									
Foreign Portfolio Investor	145,995	-	145,995	0.88	810,661	-	810,661	4.88	4.00
Unit Trust of India	-	800	800	0.00	-	800	800	0.00	-
Foreign Financial Institutions	-	3,360	3,360	0.02	-	3,360	3,360	0.02	-
<b>Sub-total (B)(1)</b>	<b>5,247,228</b>	<b>5,250</b>	<b>5,252,478</b>	<b>31.61</b>	<b>5,396,913</b>	<b>5,250</b>	<b>5,402,163</b>	<b>32.51</b>	<b>0.90</b>
<b>(2) Non-Institutions</b>									
a) Bodies Corporate									
i) Indian	1,301,032	4,676	1,305,708	7.86	1,227,238	4,676	1,231,914	7.41	(0.44)
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	968,747	196,417	1,165,164	7.01	919,230	184,617	1,103,847	6.64	(0.37)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	225,667	-	225,667	1.36	210,236	-	210,236	1.27	(0.09)
c) Others (specify)									
Trusts	293	-	293	0.00	460	-	460	0.00	-
Hindu Undivided Family	64,499	-	64,499	0.39	68,290	-	68,290	0.41	0.02
Non Resident Individuals (Repatriable)	25,759	-	25,759	0.16	15,283	-	15,283	0.09	(0.06)

Continued...

## Extract of Annual Return - Form MGT 9

As on Financial Year ended on December 31, 2016  
Annexure - G to the Directors' Report

...Continued

### (i) Category-wise Shareholding

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
Non Resident Individuals (Non - Repatriable)	42,119	–	42,119	0.25	42,198	–	42,198	0.25	–
Clearing Member	6,400	–	6,400	0.04	13,696	–	13,696	0.08	0.04
<b>Sub-total (B)(2)</b>	<b>2,634,516</b>	<b>201,093</b>	<b>2,835,609</b>	<b>17.06</b>	<b>2,496,631</b>	<b>189,293</b>	<b>2,685,924</b>	<b>16.16</b>	<b>(0.90)</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>7,881,744</b>	<b>206,343</b>	<b>8,088,087</b>	<b>48.67</b>	<b>7,893,544</b>	<b>194,543</b>	<b>8,088,087</b>	<b>48.67</b>	<b>0.00</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	–	–	–	–	–	–	–	–	–
<b>Grand Total [(A)+(B)+(C)]</b>	<b>16,410,927</b>	<b>206,343</b>	<b>16,617,270</b>	<b>100.00</b>	<b>16,422,727</b>	<b>194,543</b>	<b>16,617,270</b>	<b>100.00</b>	<b>–</b>

### (ii) Shareholding of Promoters

Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			% change in shareholding during the year
	No. of shares	% of total shares of the Company	% of shares Pledged / encumbered to total shares	No. of shares	% of total shares of the Company	% of shares Pledged / encumbered to total shares	
FAG Kugelfischer GmbH	8,529,183	51.33	–	8,529,183	51.33	–	–

### (iii) Change in Promoters' Shareholding

Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
At the beginning of the year	8,529,183	51.33	8,529,183	51.33
Date wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	–	–	–	–
At the end of the year	8,529,183	51.33	8,529,183	51.33

### (iv) Shareholding Pattern of Top Ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Name of Shareholder	Period	Increase/Decrease	Shareholding at the beginning of the year		Cumulative Shareholding during the year		
				No. of shares	% of total shares of the Company	Increase/ (Decrease) in No. of shares	No. of shares	% of total shares of the Company
1	IDFC Premier Equity Fund*#	At the beginning of the year	Jan. 01, 2016	488,863	2.94			
		01-10-2016 to 07-10-2016	Decrease/Sale			(49,625)	439,238	2.64
		29-10-2016 to 04-11-2016	Decrease/Sale			(1,624)	437,614	2.63
		05-11-2016 to 11-11-2016	Decrease/Sale			(5,580)	432,034	2.60
		12-11-2016 to 18-11-2016	Decrease/Sale			(18)	432,016	2.60
		At the end of the year	Dec. 31, 2016				432,016	2.60
2	Sundaram Mutual Fund A/c Sundaram Select Midcap*#	At the beginning of the year	Jan. 01, 2016	408,853	2.46			
		23-07-2016 to 29-07-2016	Decrease/Sale			(8,853)	400,000	2.41
		20-08-2016 to 26-08-2016	Decrease/Sale			(61)	399,939	2.41
		27-08-2016 to 02-09-2016	Decrease/Sale			(3,259)	396,680	2.39
		03-09-2016 to 09-09-2016	Decrease/Sale			(1,680)	395,000	2.38

Continued...

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(iv) Shareholding Pattern of Top Ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Name of Shareholder	Period	Increase/Decrease	Shareholding at the beginning of the year		Cumulative Shareholding during the year			
				No. of shares	% of total shares of the Company	Increase/(Decrease) in No. of shares	No. of shares	% of total shares of the Company	
		10-09-2016 to 16-09-2016	Decrease/Sale			(18)	394,982	2.38	
		17-09-2016 to 23-09-2016	Decrease/Sale			(982)	394,000	2.37	
		24-09-2016 to 30-09-2016	Decrease/Sale			(130)	393,870	2.37	
		01-10-2016 to 07-10-2016	Decrease/Sale			(3,870)	390,000	2.35	
		12-11-2016 to 18-11-2016	Decrease/Sale			(4,744)	385,256	2.32	
		19-11-2016 to 25-11-2016	Decrease/Sale			(87)	385,169	2.32	
		26-11-2016 to 02-12-2016	Decrease/Sale			(6,009)	379,160	2.28	
		03-12-2016 to 09-12-2016	Decrease/Sale			(2,431)	376,729	2.27	
		10-12-2016 to 16-12-2016	Decrease/Sale			(804)	375,925	2.26	
		24-12-2016 to 30-12-2016	Decrease/Sale			(1,250)	374,675	2.25	
		<b>At the end of the year Dec. 31, 2016</b>						<b>374,675</b>	<b>2.25</b>
3	HDFC Standard Life Insurance Company Limited**	<b>At the beginning of the year Jan. 01, 2016</b>		<b>395,119</b>	<b>2.38</b>				
		01-01-2016	Decrease/Sale			(1,220)	393,899	2.37	
		09-01-2016 to 15-01-2016	Increase/Purchase			220	394,119	2.37	
		16-01-2016 to 22-01-2016	Increase/Purchase			221	394,340	2.37	
		06-02-2016 to 12-02-2016	Decrease/Sale			(3,762)	390,578	2.35	
		26-03-2016 to 31-03-2016	Increase/Purchase			10,000	400,578	2.41	
		02-04-2016 to 08-04-2016	Increase/Purchase			2,140	402,718	2.42	
		09-04-2016 to 15-04-2016	Decrease/Sale			(2,521)	400,197	2.41	
		16-04-2016 to 22-04-2016	Decrease/Sale			(12,224)	387,973	2.33	
		23-04-2016 to 29-04-2016	Decrease/Sale			(1,090)	386,883	2.33	
		30-04-2016 to 06-05-2016	Increase/Purchase			116	386,999	2.33	
		07-05-2016 to 13-05-2016	Decrease/Sale			(289)	386,710	2.33	
		14-05-2016 to 20-05-2016	Decrease/Sale			(34)	386,676	2.33	
		21-05-2016 to 27-05-2016	Increase/Purchase			2	386,678	2.33	
		28-05-2016 to 03-06-2016	Increase/Purchase			8	386,686	2.33	
		11-06-2016 to 17-06-2016	Increase/Purchase			621	387,307	2.33	
		18-06-2016 to 24-06-2016	Decrease/Sale			(14,110)	373,197	2.25	
		25-06-2016 to 30-06-2016	Increase/Purchase			25	373,222	2.25	
		01-07-2016	Increase/Purchase			183	373,405	2.25	
		02-07-2016 to 08-07-2016	Increase/Purchase			179	373,584	2.25	
		09-07-2016 to 15-07-2016	Increase/Purchase			843	374,427	2.25	
		16-07-2016 to 22-07-2016	Increase/Purchase			247	374,674	2.25	
		23-07-2016 to 29-07-2016	Decrease/Sale			(536)	374,138	2.25	
		06-08-2016 to 12-08-2016	Decrease/Sale			(29,110)	345,028	2.08	
		20-08-2016 to 26-08-2016	Decrease/Sale			(3,055)	341,973	2.06	
		10-09-2016 to 16-09-2016	Decrease/Sale			(225)	341,748	2.06	
		24-09-2016 to 30-09-2016	Decrease/Sale			(1,041)	340,707	2.05	
		08-10-2016 to 14-10-2016	Decrease/Sale			(950)	339,757	2.04	
		24-12-2016 to 30-12-2016	Decrease/Sale			(162)	339,595	2.04	
		<b>At the end of the year Dec. 31, 2016</b>						<b>339,595</b>	<b>2.04</b>
4	HDFC Trustee Co. Ltd. A/c HDFC MID-CAP Opportunities Fund**	<b>At the beginning of the year Jan. 01, 2016</b>		<b>348,314</b>	<b>2.10</b>				
		No Change				-	-	-	
		<b>At the end of the year Dec. 31, 2016</b>						<b>348,314</b>	<b>2.10</b>
5	Franklin Templeton Mutual fund A/c Franklin India Prima Fund**	<b>At the beginning of the year Jan. 01, 2016</b>		<b>275,740</b>	<b>1.66</b>				
		No Change		-	-	-	-	-	
		<b>At the end of the year Dec. 31, 2016</b>						<b>275,740</b>	<b>1.66</b>
6	ICICI Prudential Life Insurance Company Ltd.*	<b>At the beginning of the year Jan. 01, 2016</b>		<b>256,203</b>	<b>1.54</b>				
		02-01-2016 to 08-01-2016	Decrease/Sale			(134)	256,069	1.54	
		09-01-2016 to 15-01-2016	Increase/Purchase			41	256,110	1.54	
		06-02-2016 to 12-02-2016	Decrease/Sale			(9)	256,101	1.54	

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## Extract of Annual Return - Form MGT 9

As on Financial Year ended on December 31, 2016  
Annexure - G to the Directors' Report

...Continued

### (iv) Shareholding Pattern of Top Ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Name of Shareholder	Period	Increase/Decrease	Shareholding at the beginning of the year		Cumulative Shareholding during the year		
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	
		13-02-2016 to 19-02-2016	Decrease/Sale			(26)	256,075	1.54
		20-02-2016 to 26-02-2016	Decrease/Sale			(14)	256,061	1.54
		05-03-2016 to 11-03-2016	Decrease/Sale			(298)	255,763	1.54
		02-04-2016 to 08-04-2016	Decrease/Sale			(10)	255,753	1.54
		23-04-2016 to 29-04-2016	Decrease/Sale			(4,969)	250,784	1.51
		30-04-2016 to 06-05-2016	Decrease/Sale			(40,027)	210,757	1.27
		07-05-2016 to 13-05-2016	Decrease/Sale			(14,180)	196,577	1.18
		14-05-2016 to 20-05-2016	Decrease/Sale			(1,203)	195,374	1.18
		04-06-2016 to 10-06-2016	Decrease/Sale			(4,300)	191,074	1.15
		11-06-2016 to 17-06-2016	Decrease/Sale			(721)	190,353	1.15
		25-06-2016 to 30-06-2016	Decrease/Sale			(110)	190,243	1.14
		01-07-2016	Decrease/Sale			(2,024)	188,219	1.13
		02-07-2016 to 08-07-2016	Decrease/Sale			(3,998)	184,221	1.11
		09-07-2016 to 15-07-2016	Decrease/Sale			(110)	184,111	1.11
		16-07-2016 to 22-07-2016	Decrease/Sale			(12,580)	171,531	1.03
		23-07-2016 to 29-07-2016	Decrease/Sale			(110)	171,421	1.03
		06-08-2016 to 12-08-2016	Decrease/Sale			(4,520)	166,901	1.00
		13-08-2016 to 19-08-2016	Decrease/Sale			(110)	166,791	1.00
		20-08-2016 to 26-08-2016	Decrease/Sale			(279)	166,512	1.00
		27-08-2016 to 02-09-2016	Decrease/Sale			(82)	166,430	1.00
		03-09-2016 to 09-09-2016	Decrease/Sale			(56)	166,374	1.00
		10-09-2016 to 16-09-2016	Decrease/Sale			(266)	166,108	1.00
		17-09-2016 to 23-09-2016	Increase/Purchase			210	166,318	1.00
		24-09-2016 to 30-09-2016	Decrease/Sale			(28)	166,290	1.00
		01-10-2016 to 07-10-2016	Decrease/Sale			(56)	166,234	1.00
		15-10-2016 to 21-10-2016	Decrease/Sale			(668)	165,566	1.00
		22-10-2016 to 28-10-2016	Decrease/Sale			(602)	164,964	0.99
		29-10-2016 to 04-11-2016	Decrease/Sale			(32)	164,932	0.99
		05-11-2016 to 11-11-2016	Decrease/Sale			(16)	164,916	0.99
		19-11-2016 to 25-11-2016	Increase/Purchase			16	164,932	0.99
		<b>At the end of the year Dec. 31, 2016</b>					<b>164,932</b>	<b>0.99</b>
7	Shree Capital Services Limited*#	<b>At the beginning of the year Jan. 01, 2016</b>		<b>212,470</b>	<b>1.28</b>			
		No Change					-	-
		<b>At the end of the year Dec. 31, 2016</b>					<b>212,470</b>	<b>1.28</b>
8	KOTAK Mahindra (UK) Ltd. A/c India Midcap (Mauritius) Ltd.*	<b>At the beginning of the year Jan. 01, 2016</b>		<b>190,000</b>	<b>1.14</b>			
		16-04-2016 to 22-04-2016	Decrease/Sale			(477)	189,523	1.14
		23-04-2016 to 29-04-2016	Decrease/Sale			(426)	189,097	1.14
		04-06-2016 to 10-06-2016	Decrease/Sale			(202)	188,895	1.14
		02-07-2016 to 08-07-2016	Decrease/Sale			(149)	188,746	1.14
		30-07-2016 to 05-08-2016	Decrease/Sale			(672)	188,074	1.13
		13-08-2016 to 19-08-2016	Decrease/Sale			(97)	187,977	1.13
		27-08-2016 to 02-09-2016	Decrease/Sale			(187,977)	-	-
		<b>At the end of the year Dec. 31, 2016</b>					<b>0</b>	<b>0.00</b>
9	SBI Blue Chip Fund*#	<b>At the beginning of the year Jan. 01, 2016</b>		<b>187,974</b>	<b>1.13</b>			
		02-04-2016 to 08-04-2016	Increase/Purchase			10,000	197,974	1.19
		<b>At the end of the year Dec. 31, 2016</b>					<b>197,974</b>	<b>1.19</b>
10	Franklin India Smaller Companies Fund*#	<b>At the beginning of the year Jan. 01, 2016</b>		<b>186,136</b>	<b>1.12</b>			
		10-09-2016 to 16-09-2016	Increase/Purchase			5,000	191,136	1.15
		26-11-2016 to 02-12-2016	Increase/Purchase			2,000	193,136	1.16
		17-12-2016 to 23-12-2016	Increase/Purchase			25,000	218,136	1.31
		<b>At the end of the year Dec. 31, 2016</b>					<b>218,136</b>	<b>1.31</b>
11	TVF Fund Ltd.#	<b>At the beginning of the year Jan. 01, 2016</b>		<b>75,435</b>	<b>0.45</b>			
		07-05-2016 to 13-05-2016	Increase/Purchase			37,000	112,435	0.68

Continued...

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**(iv) Shareholding Pattern of Top Ten Shareholders: (Other than Directors, Promoters and Holders of GDRs and ADRs)**

Sr. No.	Name of Shareholder	Period	Increase/Decrease	Shareholding at the beginning of the year		Increase/(Decrease) in No. of shares	Cumulative Shareholding during the year	
				No. of shares	% of total shares of the Company		No. of shares	% of total shares of the Company
		01-10-2016 to 07-10-2016	Increase/Purchase			79,989	192,424	1.16
		03-12-2016 to 09-12-2016	Increase/Purchase			9,000	201,424	1.21
		<b>At the end of the year Dec. 31, 2016</b>					<b>201,424</b>	<b>1.21</b>
12	India Midcap (Mauritius) Ltd.#	<b>At the beginning of the year Jan. 01, 2016</b>		<b>0</b>	<b>0.00</b>			
		27-08-2016 to 02-09-2016	Increase/Purchase			186,366	186,366	1.12
		03-09-2016 to 09-09-2016	Decrease/Sale			(198)	186,168	1.12
		10-09-2016 to 16-09-2016	Decrease/Sale			(5,000)	181,168	1.09
		24-09-2016 to 30-09-2016	Decrease/Sale			(159)	181,009	1.09
		01-10-2016 to 07-10-2016	Decrease/Sale			(518)	180,491	1.09
		15-10-2016 to 21-10-2016	Decrease/Sale			(1,894)	178,597	1.07
		22-10-2016 to 28-10-2016	Decrease/Sale			(597)	178,000	1.07
		12-11-2016 to 18-11-2016	Decrease/Sale			(629)	177,371	1.07
		<b>At the end of the year Dec. 31, 2016</b>					<b>177,371</b>	<b>1.07</b>

Note: \* Shareholder appearing in the list of top 10 at the beginning of 2016 (i.e. as on Jan. 1, 2016)

# Shareholder appearing in the list of top 10 at the end of 2016 (i.e. as on Dec. 31, 2016)

**(v) Shareholding of Directors and Key Managerial Personnel:**

Shareholding of Directors and Key Managerial Personnel	Shareholding at the beginning of the year		Increase/Decrease in No. of shares	Shareholding at the end of the year	
	No. of shares	% of total shares of the Company		No. of shares	% of total shares of the Company
Director (s)	Nil	Nil	No Change	Nil	Nil
Key Managerial Personnel					
Mr. Raj Sarraf	1	0.00001	No Change	1	0.00001

## 5 Indebtedness

**Indebtedness of the Company including interest outstanding / accrued but not due for payment**

Particulars	Secured Loans excluding Deposits	Unsecured Loans	Deposits	Total Indebtness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid		Nil		
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>				
<b>Change in Indebtedness during the financial year</b>				
Addition		Nil		
Reduction				
<b>Net Change</b>				
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount				
ii) Interest due but not paid		Nil		
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>				

## Extract of Annual Return - Form MGT 9

As on Financial Year ended on December 31, 2016  
Annexure - G to the Directors' Report

### 6 Remuneration of Directors and Key Managerial Personnel

#### (A) Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sr. No.	Particulars of Remuneration paid to the Managing Director Mr. Rajendra Anandpara	Amount (in ₹)
1)	Gross salary	12,380,068
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	11,588,655
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	791,413
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-
2)	Stock Option	-
3)	Sweat Equity	-
4)	Commission	-
	- as % of profit	-
	- others, specify	-
5)	Others, please specify	-
	<b>Total (A)</b>	<b>12,380,068</b>
Ceiling as per the Companies Act, 2013: 5% of Net Profit i.e 97.25 million		

#### (B) Remuneration to other Directors:

(Amount in ₹)

Sr. No.	Particulars of Remuneration	Name of Directors					Total
		Mr. Avinash Gandhi	Mrs. Renu Challu	Dr. Sanak Mishra	Mr. Rakesh Jinsi	Mr. R Sampath Kumar	
1)	<b>Independent Directors</b>						
	Fee for attending Board/ Committee Meetings	-	500,000	500,000	530,000	-	1,530,000
	Commission	-	700,000	700,000	700,000	-	2,100,000
	Others, please specify	-	-	-	-	-	-
	<b>Total (1)</b>	-	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,230,000</b>	-	<b>3,630,000</b>
2)	<b>Other Non-executive Directors</b>						
	Fee for attending Board/ Committee Meetings	470,000	-	-	-	250,000	720,000
	Commission	1,050,000	-	-	-	700,000	1,750,000
	Others, please specify	-	-	-	-	-	-
	<b>Total (2)</b>	<b>1,520,000</b>	-	-	-	<b>950,000</b>	<b>2,470,000</b>
	<b>Total (B) = (1)+(2)</b>	<b>1,520,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,230,000</b>	<b>950,000</b>	<b>6,100,000</b>

Ceiling as per the Companies Act, 2013: 1% of the Net Profit i.e 19.45 million

**Total Managerial Remuneration [(A)+(B)]: ₹ 18,480,068**

Notes: a) Remuneration includes 'Sitting fee' and 'Profit Related Commission' paid during 2016.

b) As per the Remuneration Policy of the Company; Mr. Klaus Rosenfeld, Mr. Dietmar Heinrich and Mr. Frank Huber are not entitled for any remuneration from the Company.

(C) Remuneration to key managerial personnel other than MD / Manager / WTD: (Amount in ₹)

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		Total
		CFO	CS	
1)	Gross salary	8,278,217	2,737,615	11,015,832
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	7,850,564	2,675,648	10,526,212
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	427,653	61,967	489,620
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2)	Stock Option	-	-	-
3)	Sweat Equity	-	-	-
4)	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5)	Others, please specify	-	-	-
<b>Total</b>		<b>8,278,217</b>	<b>2,737,615</b>	<b>11,015,832</b>

### 7 Penalties / Punishment / Compounding of Offences

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority (RD / NCLT / COURT)	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty					
Punishment			Nil		
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment			Nil		
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment			Nil		
Compounding					

For and on behalf of the Board

**Avinash Gandhi**  
Chairman  
DIN: 00161107

New Delhi: March 6, 2017



# Secretarial Audit Report

for the Financial Year ended December 31, 2016  
Annexure H to the Directors' report

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
FAG Bearings India Limited  
Nariman Bhavan, 8<sup>th</sup> Floor, 227, Backbay Reclamation,  
Nariman Point, Mumbai - 400 021, Maharashtra, India.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by FAG Bearings India Limited (hereinafter referred to as 'the Company'). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended on December 31, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-Processes and Compliance-Mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the Company for the Financial Year ended on December 31, 2016, according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act):
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

We further report that, there were no actions/events in pursuance of the following regulations requiring compliance thereof by the Company during the period of this report:

- (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (b) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (d) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

We have also examined compliance with the applicable clauses/regulations of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India; and
- (ii) The Listing Agreements entered into by the Company with BSE Ltd. and National Stock Exchange of India Ltd. read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that** the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review, if any, were carried out in compliance with the provisions of the Act.

Adequate notice is given to all the Directors to schedule the Board Meetings, Agenda and detailed notes on Agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarification on the Agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

**We further report that** there are adequate systems and processes in place, whereby the Company ensures and monitor compliances of applicable laws, rules, regulations and guidelines.

**We further report that** 'The Compliance Management Tool/System' is adequate, commensurate with the size and operations of the Company and operating effectively.

**We further report that** during the audit period there were no specific instances/actions in pursuance of the above referred laws, rules, regulations, guidelines, etc., having a major bearing on the Company's affairs.

**Suresh Kumar Kabra**  
Partner

**Samdani Kabra & Asso.**  
Company Secretaries  
ACS No. - 9711  
CP No. - 9927

Vadodara: January 30, 2017

*This Report is to be read with our letter of even date which is annexed as Appendix A and forms an integral part of this report.*

**APPENDIX - A**

To,

**The Members,**

FAG Bearings India Limited  
Nariman Bhavan, 8<sup>th</sup> Floor,  
227, Backbay Reclamation,  
Nariman Point,  
Mumbai - 400 021,  
Maharashtra, India.

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records and compliances based on our audit. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our Examination was limited to the verification of procedure on the test basis.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices we followed, provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of the financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**Suresh Kumar Kabra**  
Partner

**Samdani Kabra & Asso.**  
Company Secretaries  
ACS No. - 9711  
CP No. - 9927

Vadodara: January 30, 2017

## A General Information about the Company

Corporate Identity Number (CIN) of the Company	L29130MH1962PLC012340
Name of the Company	FAG Bearings India Limited
Registered Office address	Nariman Bhavan, 8 <sup>th</sup> Floor, 227, Backbay Reclamation, Nariman Point, Mumbai (MH) - 400 021 INDIA
Website	www.schaeffler.co.in
E-mail id	info.in@schaeffler.com
Financial Year reported	January 1, 2016 to December 31, 2016
Sector(s) that the Company is engaged in (industrial activity code-wise)	Ball & Roller Bearings NIC Code of the Product - 2814
List three key products / services that the Company manufactures / provides (as in balance sheet)	Ball Bearings Cylindrical Roller Bearings Spherical & Taper Roller Bearings
Locations where business activity is undertaken by the Company (a) Number of International Locations (Provide details of major 5) (b) Number of National Locations	<b>Registered Office:</b> Mumbai <b>Manufacturing Locations:</b> Maneja & Savli (Vadodara) <b>Sales Offices:</b> Gurugram, Kolkata, Chennai, Pune, Bengaluru, Secunderabad, Coimbatore, Jamshedpur, Ludhiana, Kanpur and Udaipur
Markets served by the Company - Local / State / National / International	All: Local, State, National and International.

## B Financial Details of the Company

Paid up Capital (INR)	As on December 31, 2016 the Paid up capital of the Company stood at ₹ 166,172,700 consisting of 16,617,270 nos. of Equity Shares of ₹ 10 each.
Total Turnover (INR)	For the Financial year ended on December 31, 2016 the Turnover of the Company was ₹ 18,821.6 million.
Total Profit After Taxes (INR)	For the Financial year ended on December 31, 2016 the net profit of the Company was ₹ 1,945 million.
Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Refer Summary of CSR spending on page no. 34
List of activities in which CSR expenditure has been incurred	Refer Project wise summary under CSR Report on page no. 36

## C Other Details

Does the Company have any Subsidiary Company / Companies?	Company has no Subsidiary as on December 31, 2016
Do the Subsidiary Company / Companies participate in the BR Initiatives of the parent Company? If yes, then indicate the number of such subsidiary Company(s)	Not applicable
Do any other entity / entities (e.g. Suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity / entities? (Less than 30%, 30-60%, More than 60%)	No

**D BR Information**

**1. Details of the Director and BR head responsible for implementation of the BR policy / policies**

DIN Number	05350121
Name	Mr. Dharmesh Arora
Designation	Managing Director
Telephone No.	+91 265 6602000
E-mail id	aroradar@schaeffler.com

**2. Principle-wise (as per NVGs) BR Policy / policies**

Question	Policies / Guidelines on								
	P1 Ethics, Bribery & Corruption	P2 Sustainability	P3 Treatment of Employees & Colleagues	P4 Behaviour towards Stakeholders	P5 Respect for Human Rights	P6 Environment, Health & Safety	P7 Policy Advocacy	P8 Inclusive Growth and Equitable Development	P9 Customer Centricity
Do you have a policy / policies for...	Yes, Company's Code of Conduct sets out the principle & practices that must be observed towards Business Partner and Third Parties.								
Has the policy being formulated in consultation with the relevant stakeholders?	Yes, while formulating the policy documents - rights & obligations of concerned stakeholders are analysed in view of best Industry Practices.								
Does the policy conform to any national / international standards? If yes, specify?	Fairness, mutual respect and integrity are the cornerstones within the Company and the Schaeffler Group upon which our actions are based. Being member of Schaeffler Group, the Company believes in benchmarking practices and global standards to the best possible extent.								
Has the policy being approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director?	All Statutory Policies and Codes are adopted considering prevailing Legal requirements and approvals of respective body (Board of Directors, its Committees and Company Management).								
Does the Company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	Implementation mechanism of all the Policies & Codes is presented to and reviewed by the respective body periodically.								
Indicate the link for the policy to be viewed online?	<a href="http://www.schaeffler.co.in/content.schaeffler.co.in/en/company/fag_in_india/investorsrelations/investorrelations.jsp">http://www.schaeffler.co.in/content.schaeffler.co.in/en/company/fag_in_india/investorsrelations/investorrelations.jsp</a>								
Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes, requisite awareness programs are carried out and communicated to all the stakeholders, which help them understand behavioural expectation from them. In critical areas online training followed by test and certification is made mandatory for all the employees.								
Does the Company have in-house structure to implement the policy / policies?									
Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?	Compliance Management System of the Schaeffler Group and Company's Vigil Mechanism / Whistle Blower Policy are effective tool towards grievance redressal mechanism.								
Has the Company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	In addition to Statutory Audits, a periodical internal assessments are part of our culture to oversee implementation of principles laid down.								



## E Principle-wise Performance

### Principle 1: Ethics, Transparency and Accountability

Fairness, mutual respect and integrity are the cornerstones within the Company upon which our actions are based. The Company assumes its Corporate Responsibility and thereby creates the prerequisites for the sustained success of the Company. The Company will only do business with third parties that conduct business ethically and do not subject the Company to criminal or other liability or cause the Company reputational harm.

The Company believes, a responsible collaboration requires actions and decisions that are transparent and comprehensible because only then will they be accepted. For collaboration, transparency also means dealing with problems and errors in an open and honest manner.

### Principle 2: Sustainability

It is very important for the Company to combine economic success with acting sustainably and responsibly towards its customers and suppliers as well as the environment and its employees. The focus here is on quality, technology, and innovation. With its high-quality products and sustainable system solutions, the Company is helping its customers to meet the expectations of changing markets while assuming responsibility for protecting the environment. Sustainability also means helping new technologies gain acceptance - particularly those technologies which contribute to a cost-efficient and reliable energy balance with low impact on the environment and that help customers to meet their growing challenges such as reducing CO2 emissions and rising fuel costs.

### Principle 3: Treatment of Employees and Colleagues

Paragraph 4 of Code of the Company's Code of Conduct lays emphasis on well being of the employees as described hereunder;

#### 1.1 Fair working conditions and Employee Development

The Company recognises its employees' entitlement to adequate remuneration and observes the legally guaranteed minimum wages in the respective labor markets. A great deal of importance is attached to the further development of employees, who are the most valuable asset for the future of the Company and investment in their training is important.

With this in mind, the Company provides a comprehensive training program, which offers every employee the opportunity to train according to his capabilities and professional interests, so far as these are consistent with the interests of the Company. The development of social and technical expertise is also highly valued in the Company.

#### 1.2 Diversity and the Principle of Equal Treatment

The Company works consistently to provide workplaces free of discrimination and harassment on the basis of gender, ethnic background, religion, age, disability or sexual orientation. This diversity is promoted and respected without exception. All employees deserve mutual respect.

Every person is entitled to fair and respectful treatment. The Company is committed to a diverse working environment, in which each person's uniqueness is

recognised and every individual is treated with courtesy, honesty and dignity. Harassment, bullying or intimidation is not tolerated.

#### 1.3 Compatibility of work and family

The Company strives to enhance the satisfaction and motivation of its employees and hence increase the performance of the Company by means of family-friendly arrangements and provisions. It works with all employees and their representatives in a trusting manner. The Company is committed to achieving a balance between the economic interests of the Company and the interests of its employees. Trust is the solid foundation for successful cooperation in the interests of the Company and the employees.

#### 1.4 Rejection of forced and child labor

The Company does not accept any form of forced labor or child labor. It condemns any form of exploitation or discrimination and strictly complies with legal regulations.

#### 1.5 Dialogue with employees and employee representatives

The Company respects its employees' right to freedom of association. Irrespective of this right, the Company always allows its employees to express their interests directly.

### Principle 4: Behaviour towards Stakeholders

The Company follows a systematic approach in identifying its stakeholders - internal as well as external - understands their concerns, defines objectives of engagement that leads to exchange of ideas, redressal of their grievances and maintaining transparency that helps building trust for long lasting collaboration.

The Company acknowledges and assumes responsibility by being transparent about the impact of its policies, decisions, product & services and associated operations on the stakeholders.

### Principle 5: Respect for human rights

Respect for human rights is an integral part of our Corporate Responsibility. The Company respects the dignity and individual rights of every employee and colleague as well as third parties with whom it does business.

### Principle 6: Environment, Health and Safety

Environmental protection and work safety is a fundamental part of our management principles. We aim to ensure the continued existence and success of our Company by establishing and maintaining a safe working environment that promotes the health and performance of our employees as well as taking active measures to protect the environment.

The protection of people and the environment against waste, waste water and exhaust gases resulting from industrial production processes and the operating business occurring before, during or up to the completion of transportation, disposal and recycling is a Corporate Responsibility. To ensure that this responsibility is met, the Company has implemented systems that ensure the safety, control and measurability of all activities occurring in the areas of transportation, disposal and recycling, which could potentially have negative effects on human health and the environment.

The Company is committed to continue complying with all environmental regulations and standards applicable to its operations, and using environmentally conscious practices at all its locations. Environmental pollution is to be minimised and environmental protection will be continuously improved.

We actively use a Global work safety and environmental management system that is undergoing continual improvement. We implement forward-looking concepts in collaboration with our contractual partners.

We carry out regular checks across all areas to determine the extent to which these measures have been implemented and to monitor the success of our management system.

### Principle 7: Policy Advocacy

The Company is a member of various trade chambers and associations which provide a platform to get actively involved in trade promotion, technology upgradation, quality enhancement and collection and dissemination of information pertaining to regulatory reforms, its impact, industry's growth and development.

The membership aspires to identify opportunities to bolster domestic manufacturing, fostering innovation, enhancing skill development, protecting intellectual property and building best in class manufacturing infrastructure in the country.

The membership of these chambers and associations include:  
 BRBMA : Ball and Roller Bearings Manufacturers' Association,  
 ACMA : Auto Component Manufacturers' Association,  
 IGCC : Indo-German Chamber of Commerce  
 CII : Confederation of Indian Industry  
 FGI : Federation of Gujarat Industries

### Principle 8: Inclusive Growth and Equitable Development

Being an Indian Company, we are equally motivated by Indian ethos of Dharma as a key plank for organisational self realisation. We constantly strive to contribute, in our humble way, to the motto 'सर्वे भवन्तु सुखिनः' - (May every one be happy) and take up the cause of welfare of communities in which we operate.

Delineating our responsibility as a Corporate Citizen, we in the Company are committed to operate our business in an economically, socially & environmentally sustainable manner.

At the same time we endeavour to reach out to different sections of the society, with socially relevant projects, that benefit these communities and in small ways enhance the quality of their lives.

We aim to constantly identify and implement unique initiatives which are scalable and sustainable and which have capacity to create a positive impact on the lives of people-especially the weaker and underserved sections. By contributing to development of health, science and culture, we wish to further all round progress. The initiatives taken by the Company are accessible at link below;

[http://www.schaeffler.co.in/content.schaeffler.co.in/en/company/fag\\_in\\_india/csr/initiatives\\_approach/initiatives\\_approach.jsp](http://www.schaeffler.co.in/content.schaeffler.co.in/en/company/fag_in_india/csr/initiatives_approach/initiatives_approach.jsp)

### Principle 9: Customer Centricity

A long-term relationship, with the customer characterised by trust, transparency and cooperation is a key success factor. The Company's customers expect solutions for more energy and CO2 efficiency, safety, compliance with regulatory requirements, cost savings, sustainable materials, recyclability and much more. As challenges like these can only be overcome by joining efforts with the customer, open and solutions-driven cooperation with the customer is very important to the Company. Openness and transparency help in further improving this cooperation and speeding up processes.

The Company's sustainable manner of conducting business is based on fairness, mutual respect and integrity. Taking into account ecological and social criteria along the entire value chain and reducing the consumption of resources are firmly anchored in the Company's corporate management principles.

The Company strives to always deliver the highest possible quality to its customers while maintaining cost efficiency and reliability of supply. It continually improves its production system, with all locations consistently applying the "zero defects principle".

Modern quality management techniques and integrated planning across the entire supply chain ensure that all of these requirements are being met. Commitment to quality and our innovative strength, coupled with sophisticated technological expertise and an in-depth understanding of systems are our key factors for success.

New Delhi: March 6, 2017

For and on behalf of the Board

**Avinash Gandhi**  
 Chairman  
 DIN: 00161107

To,  
**The Board of Directors,**

This is to certify that;

- (a) We have reviewed financial statements for the year ended December 31, 2016 and that to the best of our knowledge and belief;
  - i) these statements do not contain any false or misleading statement or figures and do not omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit committee;
  - i) Significant changes in the Internal Control over financial reporting during the year ended December 31, 2016;
  - ii) Significant changes in accounting policies during the year ended December 31, 2016 and that the same have been disclosed in the notes to the Financial statements, if any; and
  - iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

**For FAG Bearings India Limited**

**Rajendra Anandpara**  
Managing Director  
(DIN: 02461259)

**Satish Patel**  
Chief Financial Officer

February 3, 2017

## Report on the Financial Statements

We have audited the accompanying financial statements of FAG Bearings India Limited ('the Company'), which comprise the Balance Sheet as at December 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at December 31, 2016, and its profit and its cash flows for the year ended on that date.

## Emphasis of Matter

We draw attention to Note 41 to the financial statements in respect of accounting for forward contracts. The Company has adopted and applied the principles of hedge accounting as set out in Accounting Standard (AS)30, 'Financial Instruments: Recognition and measurement' issued by the Institute of Chartered Accountants of India to forward contracts in respect of highly probable transactions or firm commitments. Consequently, the Company has recorded ₹ 62.5 million representing marked to market loss in the hedging reserve as at December 31, 2016 (₹ 8.6 million marked to market gain as at December 31, 2015). Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure 'A' a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and 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, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards notified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) On the basis of the written representations received from the Directors as on December 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on December 31, 2016, from being appointed as a Director in terms of Section 164(2) of the Act;
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in Annexure 'B' to this report; and
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - refer note 6 and note 29 to the financial statements.
    - ii. The Company has made provisions, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - refer note 41 to the financial statements.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For B S R & Co. LLP**  
Chartered Accountants  
Firm's Reg. No.  
101248W / W-100022

**Vijay Mathur**  
Partner  
Membership No.  
046476

Mumbai: February 14, 2017



## Annexure A to the Independent Auditors' Report

December 31, 2016 (Referred to in our report of even date)

- (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) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company.
- (ii) The inventory, except goods-in-transit and stocks lying with certain third parties, has been physically verified by the management during the year. For stocks lying with third parties at the year-end, written confirmations have been obtained. In our opinion, the frequency of such verification is reasonable. No material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, guarantees or securities in respect of which provisions of Section 185 of the Companies Act, 2013 are applicable. Further, in our opinion and according to the information and explanations given to us, provisions of Section 186 of the Companies Act, 2013 in respect of loans and advances given, investments made and guarantees, securities given, have been complied with by the Company.
- (v) The Company has not accepted any deposits to which the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 apply. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) 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 148(1) of the Companies Act, 2013, in respect of bearings for the year ended December 31, 2016 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.
- (vii) (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, Wealth tax, Service tax, Customs duty, Excise duty, Value added tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.
- (b) 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, Wealth tax, Service tax, Customs duty, Excise duty, Value added tax and other material statutory dues were in arrears as at December 31, 2016 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of Income-tax, Sales-tax, Service tax, Wealth tax, Excise duty, Customs duty and Value added tax which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned below:

Name of the statute	Nature of the dues	Amount (₹ in million)	Period	Forum where the dispute is pending
State and Central Sales Tax Act	Duty and interest	9.9	2009-10	Commissioner (Appeals) Dy. Commissioner Sales Tax
		0.1	2006-07	
Central Excise Act, 1944	Duty, interest and penalty	12.4	2003-04, 2004-05, 2006-07, 2007-08	High Court
		14.1	2003-04, 2004-05, 2006-07, 2007-08, 2009-10	

*Continued...*

...Continued

<u>Name of the statute</u>	<u>Nature of the dues</u>	<u>Amount (₹ in million)</u>	<u>Period</u>	<u>Forum where the dispute is pending</u>
Finance Act, 1994 (Service tax)	Tax and interest	0.9	2004-05	Appellate Tribunal
Income Tax Act, 1961	Tax and interest	96.8	2002-03 to 2012-13	Income Tax - Appellate Tribunal and Commissioner of Income Tax (Appeals)

Above amounts are net of amounts paid under protest for Sales tax aggregating to ₹ 13.4 million, Excise duty aggregating to ₹ 8.1 million and for Income Tax aggregating to ₹ 246.4 million.

- (viii) In our opinion and according to the information and explanations given to us, the Company does not have any loans or borrowing from financial institutions or banks or Government or dues to debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable to the Company.
- (ix) According to the information and explanations given to us, the Company has not raised any money by way of initial public offer / further public offer / debt instruments and term loans. Accordingly, paragraph 3(ix) of the Order is not applicable to the Company.
- (x) In our opinion and according to the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers and employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with Section 177 and Section 188 of the Companies Act, 2013 where applicable and details of such transactions have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not entered into any non-cash transactions with Directors or persons connected with them, as referred to in Section 192 of the Companies Act, 2013. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company.
- (xvi) According to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order is not applicable to the Company.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Reg. No. 101248W / W-100022

**Vijay Mathur**  
Partner  
Membership No. 046476

Mumbai: February 14, 2017

# Annexure B to the Independent Auditors' Report

Report on the Internal Financial Controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of FAG Bearings India Limited ('the Company') as at December 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

## Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and Directors of the Company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at December 31, 2016 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Reg. No. 101248W / W-100022

**Vijay Mathur**  
Partner  
Membership No. 046476

Mumbai: February 14, 2017

(₹ in million)

	Note	2016	2015
<b>(I) Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	2	166.2	166.2
Reserves and surplus	3	14,359.0	12,726.2
<b>Non-current liabilities</b>			
Deferred tax liabilities (net)	4	17.0	86.8
Other long term liabilities	5	12.7	14.5
Long-term provisions	6	259.6	220.8
<b>Current liabilities</b>			
Trade payables			
Micro, Small and Medium Enterprise	7	–	–
Others	7	2,803.1	2,404.8
Other current liabilities	8	661.8	690.4
Short-term provisions	9	289.4	244.1
<b>TOTAL</b>		<b>18,568.8</b>	<b>16,553.8</b>
<b>(II) Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	10	3,861.3	3,456.4
Intangible assets	10	0.4	0.8
Capital work-in-progress	10	241.3	518.8
Long-term loans and advances	11	1,416.7	1,283.2
<b>Current assets</b>			
Inventories	12	2,739.9	2,202.5
Trade receivables	13	3,318.1	3,364.4
Cash and bank balances	14	6,405.5	4,704.1
Short-term loans and advances	15	390.8	853.1
Other current assets	16	194.8	170.5
<b>TOTAL</b>		<b>18,568.8</b>	<b>16,553.8</b>
Significant accounting policies	1		
Notes to the financial statements	27-46		

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 Reg. No. 101248W / W-100022

**Vijay Mathur**  
Partner  
Membership No. 046476

Mumbai: February 14, 2017

For and on behalf of the Board of Directors of  
**FAG Bearings India Limited**  
CIN : L29130MH1962PLC012340

**Avinash Gandhi**  
Chairman  
DIN: 00161107

**Rajendra Anandpara**  
Managing Director  
DIN: 02461259

**Satish Patel**  
Chief Financial Officer

**Raj Sarraf**  
Company Secretary

Mumbai: February 14, 2017



# Statement of Profit and Loss

for the year ended December 31, 2016

	Note	2016	2015
(₹ in million)			
<b>INCOME</b>			
<b>Revenue from Operations</b>			
Sale of products (gross)		19,387.0	18,507.7
Less: Excise Duty		1,488.4	1,430.1
Sale of products (net)	17	17,898.6	17,077.6
Sale of services	17	53.2	63.3
Other operating revenues	17	187.2	103.4
		<b>18,139.0</b>	<b>17,244.3</b>
<b>Other income</b>	18	<b>682.6</b>	<b>561.6</b>
<b>Total Revenue</b>		<b>18,821.6</b>	<b>17,805.9</b>
<b>EXPENSES</b>			
Cost of materials consumed	19	6,828.7	6,327.5
Purchases of stock-in-trade	20	4,588.4	3,714.2
Changes in inventories of finished goods, work-in-progress and stock-in-trade	21	(591.1)	(135.0)
Employee benefits expense	22	1,512.9	1,321.0
Finance costs	23	17.6	21.2
Depreciation and amortisation	24	641.0	655.1
Other expenses	25	2,839.6	2,963.8
<b>Total Expenses</b>		<b>15,837.1</b>	<b>14,867.8</b>
<b>Profit before tax</b>		<b>2,984.5</b>	<b>2,938.1</b>
<b>Tax expenses:</b>			
Current tax		1,084.0	999.3
Deferred tax (credit)		(69.8)	(36.0)
Tax adjustments for earlier years (net)		25.3	-
<b>Profit for the Year</b>		<b>1,945.0</b>	<b>1,974.8</b>
Earnings per equity share [Nominal value of share ₹ 10 each (Previous year: ₹ 10 each)]	26		
Basic (in ₹)		117.05	118.84
Diluted (in ₹)		117.05	118.84
Significant accounting policies	1		
Notes to the financial statements	27-46		

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 Reg. No. 101248W / W-100022

**Vijay Mathur**  
Partner  
Membership No. 046476

Mumbai: February 14, 2017

For and on behalf of the Board of Directors of  
**FAG Bearings India Limited**  
CIN : L29130MH1962PLC012340

**Avinash Gandhi**  
Chairman  
DIN: 00161107

**Rajendra Anandpara**  
Managing Director  
DIN: 02461259

**Satish Patel**  
Chief Financial Officer

**Raj Sarraf**  
Company Secretary

Mumbai: February 14, 2017

(₹ in million)

	2016	2015
<b>Cash flows from Operating activities</b>		
Net profit before tax	2,984.5	2,938.1
Adjustments:		
Depreciation and amortisation	641.0	655.1
Finance costs	17.6	21.2
Unrealised exchange gain (net)	(81.7)	(93.7)
Interest income	(521.5)	(488.3)
Loss / (gain) on sale / write off of fixed assets (net)	21.2	(0.1)
Provision for doubtful debts / advances	54.7	4.9
Bad debts written off	–	2.0
Charge / (release) of provision for gratuity / leave encashment	46.9	(9.5)
Provision for warranty	0.5	6.2
Liabilities no longer required, written-back	(3.1)	(2.3)
	175.6	95.5
<b>Operating cash flow before changes in working capital</b>	<b>3,160.1</b>	<b>3,033.6</b>
Increase in trade and other receivables	(113.5)	(316.1)
Increase in inventories	(537.4)	(221.3)
Increase in trade and other payables	541.5	447.0
	(109.4)	(90.4)
<b>Cash generated from operations</b>	<b>3,050.7</b>	<b>2,943.2</b>
Income tax paid (net of refunds)	(1,123.1)	(1,124.6)
<b>A Net cash generated from Operating activities</b>	<b>1,927.6</b>	<b>1,818.6</b>
<b>Cash flows from Investing activities</b>		
Purchase / construction of fixed assets (tangible fixed assets) (refer note below)	(930.5)	(577.7)
Proceeds from sale of fixed assets	–	2.3
Proceeds from repayment of long-term loan	500.0	–
Payment towards long-term loan	(40.0)	–
Purchase of Investment	–	(125.3)
Investment in bank fixed deposits (Maturity of more than three months)	(1,378.0)	(1,870.4)
Interest received	461.7	349.9
<b>B Net cash (used in) investing activities</b>	<b>(1,386.8)</b>	<b>(2,221.2)</b>
<b>Cash flows from Financing activities</b>		
Finance costs paid	(17.6)	(21.2)
Dividends paid on equity shares	(165.6)	(124.3)
Tax paid on dividends	(34.8)	(26.1)
<b>C Net cash (used in) financing activities</b>	<b>(218.0)</b>	<b>(171.6)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A + B + C)</b>	<b>322.8</b>	<b>(574.2)</b>
Cash and cash equivalents at the beginning of period (see note below)	649.8	1,195.9
Cash and cash equivalents acquired pursuant to merger (refer note 43)	–	28.1
Cash and cash equivalents at the end of period (see note below)	972.6	649.8
	<b>(322.8)</b>	<b>574.2</b>

Continued...

# Cash Flow Statement

for the year ended December 31, 2016

...Continued

(₹ in million)

## Notes:

- (1) Purchase of fixed assets include payments for items in capital work-in-progress and advances of capital nature.
- (2) The amalgamation of FAG Roller Bearings Private Limited with the Company is a non-cash transaction. (refer note 43)
- (3) Cash and cash equivalents at the year-end comprise of:

	2016	2015
Cheques on hand	91.0	120.7
With scheduled banks on:		
Current accounts	581.6	529.1
Deposit accounts (maturity upto three months)	300.0	–
	<b>972.6</b>	<b>649.8</b>

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 Reg. No. 101248W / W-100022

**Vijay Mathur**

Partner

Membership No. 046476

Mumbai: February 14, 2017

For and on behalf of the Board of Directors of  
**FAG Bearings India Limited**

CIN : L29130MH1962PLC012340

**Avinash Gandhi**

Chairman

DIN: 00161107

**Rajendra Anandpara**

Managing Director

DIN: 02461259

**Satish Patel**

Chief Financial Officer

**Raj Sarraf**

Company Secretary

Mumbai: February 14, 2017

## 1 Statement of Significant Accounting Policies

### (A) Basis of Preparation of Financial Statements

The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act, 2013 ('the Act') read together with Rule 7 of the Companies (Accounts) Rules, 2014, accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting except for certain derivative instruments which are measured at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III to the Act. Based on the nature of the services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

### (B) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India (Indian GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and disclosure of contingent liabilities on 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. Any revision in accounting estimates is recognised prospectively in current and future periods.

### (C) Fixed Assets and Depreciation

(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.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of fixed assets.

Acquired intangible assets are recorded at its acquisition price and amortised over its estimated useful life as per the Company's depreciation / amortisation policy.

### (ii) Depreciation / Amortisation:

#### Tangible assets:

- (i) Leasehold land is depreciated over the period of the lease except where the lease is convertible to freehold land under lease agreements at future dates.
- (ii) Depreciation on tangible assets is provided on straight-line method and the Company has adopted the useful lives as specified in Part 'C' of Schedule II to the Companies Act, 2013.
- (iii) Assets individually costing ₹ 5,000 or less are depreciated fully in the year when the assets are put to use.
- (iv) Capital work-in-progress includes cost of fixed assets that are not ready to use at the balance sheet date.

#### Intangible assets:

Intangible assets are amortised on straight-line method over period of three years.

### (D) Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication that an asset or a group of assets (cash generating unit) may be impaired. Assessment of indication of impairment of an asset is made based on internal / external factors. An impairment loss, if any, is recognised 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 asset over its remaining useful life.

### (E) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are valued at the lower of cost and fair value. Changes in the carrying amount of current investments are recognised in the Statement of Profit and Loss. Long-term investments are valued at cost, less any provision for diminution to recognise a decline, other than temporary, in the value of such investments; decline, if any, is charged to the Statement of Profit and Loss. Cost comprises cost of acquisition and related expenses such as brokerage and stamp duties.

### (F) Inventories

Inventories comprise of all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.



Raw materials 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, finished goods and traded goods are carried at the lower of cost and net realisable value. Excise duty is included in the value of finished goods inventory. Cost is determined on a weighted average basis. In case of work-in-progress and manufactured finished goods, cost includes material, labour and production overheads. Fixed production overheads are allocated on the basis of normal capacity of production facilities.

Net realisable value of work-in-progress is determined with reference to the estimated selling price less estimated cost of completion and estimated costs necessary to make the sale of related finished goods. Raw materials held for production of finished goods are not written down below cost except in case where material prices have declined and it is estimated that the cost of the finished product will exceed its net realisable value.

## (G) 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 prevailing at the date of transaction.

### Conversion

Foreign currency monetary items as at Balance Sheet date are translated using the closing exchange rate on that date.

### 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 recognised as income or as expense in the year in which they arise.

### Derivatives

- (i) In case of forward contracts to which Accounting Standard AS 11 "The Effects of Changes in Foreign Exchange Rates" applies, the difference between the forward rate and the exchange rate on the date of the contract is recognised as income or expense over the life of the contract. Exchange differences on such a contract are recognised in the Statement of Profit in the period in which the exchange rates change. The gains / losses arising on settlement / cancellation of the contracts are recognised as income / expense in the Statement of Profit and Loss of the period of such settlement / cancellation.
- (ii) The Company enters into forward exchange contracts to cover its exposure in respect of highly probable transactions or firm commitments and no premium or discount is recorded separately on such forward exchange contracts.

- (iii) The Company has adopted the principles of hedge accounting set out in Accounting Standard (AS) 30, "Financial Instruments: Recognition and measurement" issued by Institute of Chartered Accountants of India with effect from August 1, 2014 for the purpose of accounting of forward contracts entered into by the Company to hedge highly probable transactions on firm commitments which are outside the scope of AS 11, The Effects of Changes in Foreign Exchange Rates. These contracts are marked to market as at the year end and the resultant gain or loss (except relating to the effective portion of cash flow hedges) from these transactions are recognised in the Statement of Profit and Loss. The gain or loss on effective portion of cash flow hedges is recorded in the Hedging Reserve (reported under the head "Reserves and Surplus") which is transferred to the Statement of Profit and Loss in the same period in which the hedged item affects the Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in hedging reserve is reclassified in the Statement of Profit and Loss. Also refer note 41.

## (H) Operating Lease

Leases, 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 and receipts are recognised as an expense and income respectively in the Statement of Profit and loss on a straight-line basis over the lease term.

## (I) Revenue Recognition

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

- (i) Revenue from sale of goods is recognised on transfer of significant risk and rewards of ownership of products to the customers, which is generally on shipment or dispatch of goods. Sales are disclosed exclusive of sales tax, VAT, sales returns, trade discounts and volume rebates.
- (ii) Commission income on indenting business is recognised based on intimation received for sales made.
- (iii) Interest income is accounted for on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (iv) Claims are accounted to the extent lodged with the appropriate authorities. Export incentives are accrued when the right to receive the credit is established which is based on shipments.
- (v) Rental income is accounted for on accrual basis.

## (J) Employee benefits

### a) 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.

### b) Post-employment benefits

#### Defined benefit plans

All employees are covered under Employees' Gratuity Scheme, which is a defined benefit plan. The Company contributes to a fund maintained with Life Insurance Corporation of India (LIC) on the basis of the year-end liability determined based on actuarial valuation using the Projected Unit Cost Method. The actuarial gains / losses arising during the accounting year are recognised immediately in the Statement of Profit and Loss as income or expense.

In respect of few employees, the Company makes contribution determined based on specified percentage of salaries, towards Provident Fund to a Company managed Provident Fund Trust. These contributions are charged to the Statement of Profit and Loss as and when they accrue. The Company has an obligation to fund any shortfall in the Trust Fund, as determined based on the year-end actuarial valuation.

#### Defined contribution plans

All other employees are covered under contributory provident fund benefit of a contribution of 12% of basic salary. Certain employees are also covered by a Company managed Superannuation fund. Both are defined contribution schemes and the contributions are charged to the Statement of Profit and Loss of the year, when the contributions to the respective funds are due. There are no obligations other than the contributions payable to the respective funds.

#### Long-term employee benefits

Provision for long-term employee benefits comprise of compensated absences. These are measured based on year-end actuarial valuation in line with the Company's rules for compensated absences.

## (K) 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 provisions of the Indian Income Tax Act, 1961. Deferred income tax reflect 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 recognised 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, 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 unrecognised 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.

## (L) Warranties

Warranty expenses are accounted for based on actual experience of claims received during the last three years.

## (M) Earnings per share

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

For the purpose of diluted earnings per share, the net profit for the year attributable to the equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

## (N) Provisions and contingencies

Provisions are recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. 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 neither recognised nor disclosed in the financial statements.

## (O) Cash and cash equivalents

Cash and cash equivalents include cash, cheques in hand, cash at bank and deposits with banks having original maturity of not more than three months. Bank deposits with original maturity period of more than three months but less than twelve months are classified as other bank balances.

# Notes to the Financial Statements

for the year ended December 31, 2016

(₹ in million)

2 Share Capital	2016	2015
<b>Authorised</b> 20,000,000 (Previous year: 20,000,000) equity shares of ₹ 10 each	200.0	200.0
<b>Issued, Subscribed and Paid-up</b> 16,617,270 (Previous year: 16,617,270) equity shares of ₹ 10 each	166.2	166.2
<b>Total</b>	<b>166.2</b>	<b>166.2</b>

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

	2016		2015	
	No. of shares	Amount	No. of shares	Amount
<b>Equity Shares</b>				
Shares outstanding at the beginning and at the end of the year	16,617,270	166.2	16,617,270	166.2

## ■ 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	2016		2015	
	No. of Shares held	Amount	No. of Shares held	Amount
FAG Kugelfischer GmbH (the Holding Company)	8,529,183	85.29	8,529,183	85.29

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

Name of Shareholder	2016		2015	
	No. of Shares held	% holding	No. of Shares held	% holding
FAG Kugelfischer GmbH (the Holding Company)	8,529,183	51.33	8,529,183	51.33

3 Reserves and Surplus	2016	2015
<b>Capital Reserves</b>		
At the commencement of the year	5.2	-
Add: Arising pursuant to scheme of amalgamation (refer note 43)	-	5.2
<b>Closing Balance</b>	<b>5.2</b>	<b>5.2</b>
<b>Securities Premium Account</b>	<b>200.2</b>	<b>200.2</b>
<b>Revaluation Reserve</b>		
At the commencement of the year	19.2	19.8
Less: Transferred to Surplus (Profit and Loss balance) on account of additional depreciation on revalued assets (refer note 27)	(0.6)	(0.6)
<b>Closing Balance</b>	<b>18.6</b>	<b>19.2</b>
<b>General Reserve</b>		
At the commencement of the year	3,818.4	3,418.4
Add: Transfer from Surplus (Profit and Loss balance)	400.0	400.0
<b>Closing Balance</b>	<b>4,218.4</b>	<b>3,818.4</b>

Continued...

...Continued

(₹ in million)

	2016	2015
<b>Hedging Reserve (refer note 41)</b>		
At the commencement of the year	8.6	(203.0)
Net transfer during the year	(71.1)	211.6
<b>Closing Balance</b>	<b>(62.5)</b>	<b>8.6</b>
<b>Surplus (Profit and Loss balance)</b>		
At the commencement of the year	8,674.6	7,473.3
Add: profit for the year	1,945.0	1,974.8
Add: Amount transferred on account of depreciation on revalued assets from Revaluation Reserve (refer note 27)	0.6	0.6
Less: Adjustment for depreciation (net of deferred tax)(Previous year: ₹ 31.2) (refer note 10)	–	58.8
Less: Amount transferred pursuant to the scheme of amalgamation (refer note 43)	–	109.4
Less: Appropriations:		
proposed dividend	199.4	166.2
tax on proposed dividend	41.7	39.7
transferred to general reserve	400.0	400.0
<b>Closing Balance</b>	<b>9,979.1</b>	<b>8,674.6</b>
<b>Total</b>	<b>14,359.0</b>	<b>12,726.2</b>

#### 4 Deferred Tax Liability (Net)

	2016	2015
<b>Deferred tax liabilities</b>		
Excess of depreciation / amortisation on fixed assets under income tax law over depreciation / amortisation provided in accounts	166.5	184.1
<b>Total (A)</b>	<b>166.5</b>	<b>184.1</b>
<b>Deferred tax assets</b>		
Provision for employee benefits	100.8	84.6
Provision for expenses	23.1	6.0
Provision for doubtful trade receivables	25.6	6.7
<b>Total (B)</b>	<b>149.5</b>	<b>97.3</b>
<b>Total (A-B)</b>	<b>17.0</b>	<b>86.8</b>

#### 5 Other Long-term Liabilities

	2016	2015
Deposits from customers / vendors	12.7	14.5
<b>Total</b>	<b>12.7</b>	<b>14.5</b>

#### 6 Long-term Provisions

	2016	2015
<b>Provision for employee benefits (Non current)</b>		
Gratuity	38.0	16.6
Leave encashment	209.4	189.1
<b>Other provisions</b>		
Provision for indirect tax and other statutory matters (being litigated)*	10.5	10.5
Provision for income tax (net of advance tax)	1.7	4.6
<b>Total</b>	<b>259.6</b>	<b>220.8</b>

\* Provisions are made for ongoing litigations on indirect tax and other regulatory matters, liabilities of which will be ascertained on conclusion of the respective assessments.

#### ■ Additional disclosures relating to certain provisions (as per AS 29)

	2016	2015
<b>Provision for indirect tax and other statutory matters (being litigated)</b>		
At the commencement of the year	10.5	52.0
Provision made during the year	–	3.6
Provision utilised during the year	–	(45.1)
<b>At the end of the year</b>	<b>10.5</b>	<b>10.5</b>



# Notes to the Financial Statements

for the year ended December 31, 2016

(₹ in million)

## 7 Trade Payables

	2016	2015
Total outstanding dues to micro, small and medium enterprise (refer note 44)	–	–
Total outstanding dues of creditors other than micro, small and medium enterprise	2,803.1	2,404.8
<b>Total</b>	<b>2,803.1</b>	<b>2,404.8</b>

## 8 Other Current Liabilities

	2016	2015
Employee liabilities		
- Personnel cost	171.7	54.4
- Contribution to provident fund	4.7	4.5
Accrued expenses	229.3	120.4
Creditors for capital goods	42.9	193.7
Advances from customers	47.4	98.8
Unclaimed dividends*	4.9	4.3
Service tax payable	4.1	4.5
Excise duty payable	23.4	50.9
VAT Payable	25.2	–
TDS payable	13.8	13.9
Other statutory dues	4.7	39.2
Other payables	89.7	105.8
<b>Total</b>	<b>661.8</b>	<b>690.4</b>

\* The figures reflect the position as at the year end. The actual amount to be transferred to Investor Education and Protection Fund in this respect shall be determined on the due dates.

## 9 Short-term Provisions

	2016	2015
<b>Provision for employee benefits</b>		
Current portion of leave encashment	41.0	35.8
<b>Other provisions</b>		
Provision for proposed dividend	199.4	166.2
Provision for tax on proposed dividend	41.7	34.8
Provision for wealth tax	0.3	0.3
Provision for warranties*	7.0	7.0
<b>Total</b>	<b>289.4</b>	<b>244.1</b>

\* The provision for warranty is on account of warranties given on products sold by the Company, which usually carry a warranty period of 12 months from the date of sale. The provision is determined based on the historical data.

### ■ Additional disclosures relating to certain provisions (as per AS 29)

	2016	2015
<b>Warranties</b>		
At the commencement of the year	7.0	2.5
Provision made during the year	0.5	6.2
Provision utilised during the year	(0.5)	(1.7)
<b>At the end of the year</b>	<b>7.0</b>	<b>7.0</b>

## 10 Fixed Assets

Tangible Assets	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total
<b>Gross block</b>								
Balance as at Jan. 1, 2015	19.4	121.8	640.4	6,377.9	117.2	40.7	12.5	7,329.9
Adjustment pursuant to scheme of amalgamation (refer note 43)	–	–	–	34.7	3.9	0.3	–	38.9

Continued...

...Continued

(₹ in million)

Tangible Assets	Freehold Land	Leasehold Land	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total
Additions	–	–	10.0	461.3	9.9	0.7	–	481.9
Disposals	–	–	–	69.4	0.1	0.2	0.6	70.3
<b>Balance as at Dec. 31, 2015</b>	<b>19.4</b>	<b>121.8</b>	<b>650.4</b>	<b>6,804.5</b>	<b>130.9</b>	<b>41.5</b>	<b>11.9</b>	<b>7,780.4</b>
Balance as at Jan. 1, 2016	19.4	121.8	650.4	6,804.5	130.9	41.5	11.9	7,780.4
Additions	–	–	9.1	1,008.1	24.2	5.9	–	1,047.3
Disposals	–	–	–	36.6	4.6	0.7	0.2	42.1
<b>Balance as at Dec. 31, 2016</b>	<b>19.4</b>	<b>121.8</b>	<b>659.5</b>	<b>7,776.0</b>	<b>150.5</b>	<b>46.7</b>	<b>11.7</b>	<b>8,785.6</b>
Accumulated Depreciation								
Balance as at Jan. 1, 2015	–	–	152.0	3,403.8	59.7	10.3	4.7	3,630.5
Adjustment pursuant to scheme of amalgamation (refer note 43)	–	–	–	17.7	1.1	0.1	–	18.9
Depreciation for the year	–	–	19.8	609.1	9.4	12.4	2.1	652.8
Adjustment on account of adoption of Schedule II (refer note below)	–	–	0.5	76.9	6.6	5.9	–	89.9
Accumulated depreciation on disposal	–	–	–	67.6	0.1	0.1	0.3	68.1
<b>Balance as at Dec.31, 2015</b>	<b>–</b>	<b>–</b>	<b>172.3</b>	<b>4,039.9</b>	<b>76.7</b>	<b>28.6</b>	<b>6.5</b>	<b>4,324.0</b>
Balance as at Jan. 1, 2016	–	–	172.3	4,039.9	76.7	28.6	6.5	4,324.0
Depreciation for the year	–	–	20.7	588.4	20.6	9.5	1.4	640.6
Accumulated depreciation on disposal	–	–	–	35.0	4.6	0.5	0.2	40.3
<b>Balance as at Dec. 31, 2016</b>	<b>–</b>	<b>–</b>	<b>193.0</b>	<b>4,593.3</b>	<b>92.7</b>	<b>37.6</b>	<b>7.7</b>	<b>4,924.3</b>
<b>Net Block</b>								
As at Dec. 31, 2015	19.4	121.8	478.1	2,764.6	54.2	12.9	5.4	3,456.4
<b>As at Dec. 31, 2016</b>	<b>19.4</b>	<b>121.8</b>	<b>466.5</b>	<b>3,182.7</b>	<b>57.8</b>	<b>9.1</b>	<b>4.0</b>	<b>3,861.3</b>

In the previous year, on account of applicability of Schedule II of the Companies Act, 2013, depreciation charge for the year ended December 31, 2015 was higher by ₹ 147.6 million. due to adoption of the estimated useful life of assets as prescribed in Schedule II. Further, an amount of ₹ 58.8 million had been adjusted against opening balance of Surplus (Profit and Loss balance), net of deferred tax of ₹ 31.2 million on January 1, 2015, in respect of the residual value of assets wherein the remaining useful life had become 'Nil'.

Intangible Assets	Non-compete fees	Software	Technical Know-how Fees	Total
<b>Gross Block</b>				
Balance as at Jan. 1, 2015	–	50.6	13.1	63.7
Adjustment pursuant to scheme of amalgamation (refer note 43)	10.0	–	–	10.0
Additions	–	0.1	–	0.1
Disposals	–	0.3	–	0.3
<b>Balance as at Dec. 31, 2015</b>	<b>10.0</b>	<b>50.4</b>	<b>13.1</b>	<b>73.5</b>
<b>Balance as at Jan. 1, 2016</b>	<b>10.0</b>	<b>50.4</b>	<b>13.1</b>	<b>73.5</b>
Additions	–	–	–	–
Disposals	–	–	–	–
<b>Balance as at Dec. 31, 2016</b>	<b>10.0</b>	<b>50.4</b>	<b>13.1</b>	<b>73.5</b>
Accumulated Amortisation				
Balance as at Jan. 1, 2014	–	41.2	13.1	54.3
Amortisation for the year	–	6.4	–	6.4
<b>Balance as at Jan. 1, 2015</b>	<b>–</b>	<b>47.6</b>	<b>13.1</b>	<b>60.7</b>
Adjustment pursuant to scheme of amalgamation (refer note 43)	10.0	–	–	10.0
Amortisation for the year	–	2.3	–	2.3
Accumulated depreciation on disposals	–	0.3	–	0.3
<b>Balance as at Dec. 31, 2015</b>	<b>10.0</b>	<b>49.6</b>	<b>13.1</b>	<b>72.7</b>
<b>Balance as at Jan. 1, 2016</b>	<b>10.0</b>	<b>49.6</b>	<b>13.1</b>	<b>72.7</b>
Amortisation for the year	–	0.4	–	0.4

Continued...

# Notes to the Financial Statements

for the year ended December 31, 2016

...Continued

(₹ in million)

Intangible Assets	Non- compete fees	Software	Technical Know-how Fees	Total
<b>Balance as at Dec. 31, 2016</b>	<b>10.0</b>	<b>50.0</b>	<b>13.1</b>	<b>73.1</b>
<b>Net Block</b>				
As at Dec. 31, 2015	–	0.8	–	0.8
As at Dec. 31, 2016	–	0.4	–	0.4

Capital work-in-progress	Buildings	Plant and Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Total
<b>Balance as at Jan. 1, 2015</b>	<b>19.2</b>	<b>182.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>201.2</b>
Adjustment pursuant to scheme of amalgamation (refer note 43)	–	0.9	–	–	–	0.9
Additions	13.8	774.0	9.9	0.9	–	798.6
Assets capitalised during the year	10.0	461.3	9.9	0.7	–	481.9
<b>Balance as at Dec. 31, 2015</b>	<b>23.0</b>	<b>495.6</b>	<b>–</b>	<b>0.2</b>	<b>–</b>	<b>518.8</b>
<b>Balance as at Jan. 1, 2016</b>	<b>23.0</b>	<b>495.6</b>	<b>–</b>	<b>0.2</b>	<b>–</b>	<b>518.8</b>
Additions	5.9	740.4	24.2	9.4	–	779.9
Deductions / adjustments	19.3	–	–	–	–	19.3
Assets capitalised during the year	9.1	998.9	24.2	5.9	–	1,038.1
<b>Balance as at Dec. 31, 2016</b>	<b>0.5</b>	<b>237.1</b>	<b>–</b>	<b>3.7</b>	<b>–</b>	<b>241.3</b>

## 11 Long-term Loans and Advances

	2016	2015
<b>To other than related parties</b> (Unsecured and considered good)		
Capital advances	13.2	22.8
Security deposits	35.8	37.3
VAT receivable (amount paid under protest)	19.3	21.8
Advance tax recoverable (net of provisions)	358.4	301.3
<b>Total (A)</b>	<b>426.7</b>	<b>383.2</b>
(Secured and considered good)		
Other loans and advances	40.0	–
<b>Total (B)</b>	<b>40.0</b>	<b>–</b>
<b>To related parties (refer note 39)</b> (Secured and considered good)		
Other loans and advances	950.0	1,450.0
Less: Current portion of loans and advances (refer note 15)	–	(550.0)
<b>Total (C)</b>	<b>950.0</b>	<b>900.0</b>
<b>Total (A + B + C)</b>	<b>1,416.7</b>	<b>1,283.2</b>

Other loans and advances comprises of loans given to fellow subsidiaries INA Bearings India Private Limited ₹ 850.0 million (Previous year: ₹ 850.0 million) and LuK India Private Limited ₹ 100.0 million (Previous year: ₹ 600.0 million), secured by way of hypothecation of plant and machinery. The maximum amount outstanding of secured loan for fellow subsidiaries INA Bearings India Private Limited ₹ 850.0 million (Previous year: ₹ 850.0 million) and LuK India Private Limited ₹ 600.0 million (Previous year: ₹ 600.0 million). The Company has granted the loans to meet the working capital requirement.

## 12 Inventories (Valued at the lower of cost and net realisable value)

	2016	2015
Raw materials and components [including goods-in-transit ₹ 295.0 (Previous year: ₹ 391.5)]	748.6	807.2
Work-in-progress	177.8	112.8
Finished goods	656.3	491.3
Stock-in-trade [including goods-in-transit ₹ 245.1 (Previous year: ₹ 167.3)]	963.0	601.9
Stores and spares [including goods-in-transit ₹ 3.5 (Previous year: ₹ 0.7)]	194.2	139.2
Loose tools	–	50.1
<b>Total</b>	<b>2,739.9</b>	<b>2,202.5</b>

As at December 31, 2016, the provision for write-down of the inventories to net realisable value aggregated to ₹ 232.9 million (Previous year: ₹ 189.2 million).

	(₹ in million)	
	2016	2015
<b>13 Trade Receivables</b>		
<b>Outstanding for a period exceeding six months from the date they became due for payment</b>		
Secured, considered good	1.2	0.6
Unsecured, considered good	76.5	4.8
Doubtful	73.8	19.2
Less: Provision for doubtful receivables	(73.8)	(19.2)
<b>Total (A)</b>	<b>77.7</b>	<b>5.4</b>
<b>Other receivables</b>		
Secured, considered good	6.6	5.8
Unsecured, considered good	3,233.8	3,353.2
<b>Total (B)</b>	<b>3,240.4</b>	<b>3,359.0</b>
<b>Total (A+B)</b>	<b>3,318.1</b>	<b>3,364.4</b>

	2016	2015
<b>14 Cash and Bank Balances</b>		
<b>Cash and cash equivalents</b>		
Cheques on hand	91.0	120.7
Balances with banks		
On current accounts	581.6	529.1
On deposit accounts (with original maturity of 3 months or less)	300.0	–
	<b>972.6</b>	<b>649.8</b>
<b>Other bank balances</b>		
Restricted deposits (unclaimed dividend)	4.9	4.3
Deposits due to mature within 12 months from the reporting date	5,428.0	4,050.0
<b>Total</b>	<b>6,405.5</b>	<b>4,704.1</b>

	2016	2015
<b>15 Short-term Loans and Advances</b>		
<b>To other than related parties</b> (unsecured, considered good)		
Advances to employees	2.6	2.7
Balance with tax authorities		
- Excise receivable	202.4	166.8
- VAT receivable	70.9	60.4
- Service tax receivable	46.0	8.2
Prepaid expense	15.1	9.9
Advances for supply of goods and other sundry advances	43.5	32.9
	<b>380.5</b>	<b>280.9</b>
<b>To related parties</b> (unsecured and considered good)		
Loans and advances to associate / fellow subsidiary companies	10.3	22.2
(secured and considered good)		
Other loans and advances (current portion - refer note 11)	–	550.0
	<b>10.3</b>	<b>572.2</b>
<b>Total</b>	<b>390.8</b>	<b>853.1</b>
<b>Loans and advances to associate / fellow subsidiary companies include:</b>		
LuK India Private Ltd.	1.1	8.9
INA Bearings India Private Ltd.	1.7	10.4
The Barden Corporation	2.3	1.5
Schaeffler Trading (Shanghai) Co. Ltd.	0.1	0.1
Schaeffler Tech. AG & Co. KG	2.6	1.3
Schaeffler (Ningxia) Co. Ltd.	2.5	–

The maximum amount outstanding for advances given to fellow subsidiaries Luk India Pvt. Ltd. ₹ 13.9 million (Previous year: ₹ 16.7 million), INA Bearings India Pvt. Ltd. ₹ 27.7 million (Previous year: ₹ 31.2 million), The Barden Corporation ₹ 2.3 million (Previous year: ₹ 2.5 million), Schaeffler Trading (Shanghai) Co. Ltd. ₹ 0.1 million (Previous year: ₹ 0.1 million), Schaeffler Tech. AG & Co. KG ₹ 2.6 million (Previous year: ₹ 6.4 million) and Schaeffler (Ningxia) Co. Ltd. ₹ 2.5 million (Previous year: ₹ Nil).



# Notes to the Financial Statements

for the year ended December 31, 2016

(₹ in million)

16 Other Current Assets	2016	2015
(unsecured, considered good)		
Export incentive receivable	19.3	8.6
Interest accrued on fixed deposits	172.1	157.6
Interest accrued - others	3.4	4.3
<b>Total</b>	<b>194.8</b>	<b>170.5</b>

17 Revenue from Operations	2016	2015
<b>Sale of products (gross)</b>		
Finished goods	14,200.0	13,429.1
Traded goods	5,187.0	5,078.6
Less: Excise duty	1,488.4	1,430.1
<b>Sale of products (net)</b>	<b>17,898.6</b>	<b>17,077.6</b>
<b>Sale of services</b>	<b>53.2</b>	<b>63.3</b>
<b>Other operating revenues</b>		
Export incentives	159.6	67.5
Scrap sales	27.6	35.9
<b>Total</b>	<b>18,139.0</b>	<b>17,244.3</b>

**Break up of revenue from sale of products:  
Manufacturing goods (net of excise duty)\***

Ball & roller bearings	12,545.4	11,844.7
Components	39.2	18.0
Sale of machines	127.0	136.3
<b>Total (A)</b>	<b>12,711.6</b>	<b>11,999.0</b>
<b>Traded goods</b>		
Ball & roller bearings	4,939.1	4,879.6
Axle box housing, Re-Railing equipment and its component**	241.2	197.0
Steel bars / rods	6.7	2.0
<b>Total (B)</b>	<b>5,187.0</b>	<b>5,078.6</b>
<b>Total (A+B)</b>	<b>17,898.6</b>	<b>17,077.6</b>

\* Includes bearings partially processed in house which are considered as manufactured products in accordance with The Central Excise Act, 1944.

\*\* For some of these items purchased for sale, assembly / minor processing is carried out by outside parties. These items are considered as traded items.

18 Other Income	2016	2015
<b>Interest income</b>		
Deposits with banks	359.6	299.4
Others	161.9	188.9
Liabilities no longer required, written-back	3.1	2.3
Rental income	1.5	0.3
Profit on sale / retirement of fixed assets (net)	-	0.1
Other non-operating income	124.8	70.6
Gain on account of foreign exchange fluctuations (net)	31.7	-
<b>Total</b>	<b>682.6</b>	<b>561.6</b>

19 Cost of Materials Consumed ***	2016	2015
Inventory of materials at the beginning of the year	807.2	631.0
Purchases	6,770.1	6,503.7
Inventory of materials at the end of the year	748.6	807.2
<b>Total</b>	<b>6,828.7</b>	<b>6,327.5</b>
<b>Break up of cost of materials consumed</b>		
Ferrous Metals	3.8	0.1

Continued...

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(₹ in million)

	2016	2015
Forged Rings	1.3	0.5
Components#	6,823.6	6,326.9
<b>Total</b>	<b>6,828.7</b>	<b>6,327.5</b>
<b>Break up of inventory materials</b>		
Ferrous Metals	39.8	54.7
Forged Rings	1.3	1.7
Components	707.5	750.8
<b>Total</b>	<b>748.6</b>	<b>807.2</b>

\*\*\*The consumption figures shown above have been ascertained on the basis of materials consumed and after considering excess / shortages ascertained on physical verification.

# Excludes raw materials supplied by the Company to the outside parties for manufacture of components. Such components are considered as consumed when issued for production.

### 20 Purchase of Stock-in-trade

	2016	2015
Ball and roller bearings	4,476.5	3,599.5
Axle box housing, re-railing equipment and its component	105.4	114.7
Steel bars / rods	6.5	-
<b>Total</b>	<b>4,588.4</b>	<b>3,714.2</b>

### 21 Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-trade\*

Particulars	2016			2015		
	Opening inventory	Closing inventory	(Increase) / Decrease	Opening inventory	Closing inventory	(Increase) / Decrease
<b>Manufactured goods</b>						
Ball & Roller Bearings	487.5	651.7	(164.2)	394.8	487.5	(92.7)
Components	3.8	4.6	(0.8)	2.0	3.8	(1.8)
	<b>491.3</b>	<b>656.3</b>	<b>(165.0)</b>	<b>396.8</b>	<b>491.3</b>	<b>(94.5)</b>
<b>Traded goods</b>						
Ball and roller bearings	572.9	951.0	(378.1)	535.2	572.9	(37.7)
Axle box housing, re-railing equipment and its components	29.0	12.0	17.0	39.3	29.0	10.3
	<b>601.9</b>	<b>963.0</b>	<b>(361.1)</b>	<b>574.5</b>	<b>601.9</b>	<b>(27.4)</b>
<b>Work-in-progress</b>						
Ball and roller bearings	110.4	119.6	(9.2)	99.7	110.4	(10.7)
Machines	2.4	58.2	(55.8)	-	2.4	(2.4)
	<b>112.8</b>	<b>177.8</b>	<b>(65.0)</b>	<b>99.7</b>	<b>112.8</b>	<b>(13.1)</b>
<b>Total</b>	<b>1,206.0</b>	<b>1,797.1</b>	<b>(591.1)</b>	<b>1,071.0</b>	<b>1,206.0</b>	<b>(135.0)</b>

\*Closing stock is net off scrapped / reworked items and shortages / excess.

### 22 Employee Benefits Expense

	2016	2015
Salaries, wages and incentives	1,307.9	1,142.5
Contributions to: (refer note 42)		
- Provident fund	57.0	54.1
- Gratuity fund	40.2	28.3
- Superannuation fund	25.9	23.9
Staff welfare expenses	81.9	72.2
<b>Total</b>	<b>1,512.9</b>	<b>1,321.0</b>

# Notes to the Financial Statements

for the year ended December 31, 2016

(₹ in million)

23 Finance Costs	2016	2015
Bank and other financial charges	16.2	14.5
Other interest expenses	1.4	6.7
<b>Total</b>	<b>17.6</b>	<b>21.2</b>

24 Depreciation and Amortisation	2016	2015
Depreciation of tangible assets	640.6	652.8
Amortisation of intangible assets	0.4	2.3
<b>Total</b>	<b>641.0</b>	<b>655.1</b>

25 Other Expenses	2016	2015
Consumption of stores and spares	773.4	595.5
Power and fuel	356.2	362.2
Freight, clearing and forwarding	225.8	265.9
Rent (refer note 38)	36.6	30.5
Repairs and maintenance:		
- Building	11.9	11.5
- Machinery	8.5	19.3
- Others	50.2	26.5
Insurance	12.5	18.2
Rates and taxes	28.0	31.8
Excise duty (refer note 40)	17.6	19.0
Travelling expenses	98.2	91.7
Legal and professional fees	35.8	22.7
Auditors' remuneration (refer note below)	6.5	6.1
Fees for use of technology / trademark	295.0	274.5
Advertising and sales promotion	135.5	157.9
Bank charges	3.7	5.2
Telephone and other communication expenses	14.1	16.8
Printing and stationery	9.6	9.1
Provision for doubtful debts	54.7	4.9
Bad debts written off	-	2.0
Warranty costs	0.5	6.2
Cash discount	129.2	135.4
Outside services	479.7	402.0
CSR activities (refer note 45)	62.9	30.7
Loss on foreign exchange fluctuations (net)	-	418.3
Loss on sale / write-off of fixed assets (net)	21.2	-
Miscellaneous expenses	17.1	35.2
Less: Capitalised for own consumption	(44.8)	(35.3)
<b>Total</b>	<b>2,839.6</b>	<b>2,963.8</b>

#### Note: Auditors' remuneration

##### As auditor

Statutory audit	4.3	3.9
Limited review of quarterly results	1.4	1.4
Other services and certification	0.6	0.6
Reimbursement of expenses	0.2	0.2
<b>Total</b>	<b>6.5</b>	<b>6.1</b>

		(₹ in million)	
<b>26 Earnings Per Share (EPS)</b>		<b>2016</b>	<b>2015</b>
(a)	Amount used as the numerator		
	Profit after tax attributable to equity shareholders (₹ in million)	1,945.0	1,974.8
(b)	Weighted average number of equity shares used as the denominator	16,617,270	16,617,270
(c)	Nominal value of share (in ₹)	10.0	10.0
(d)	Earnings per share (basic and diluted) (in ₹)	117.05	118.84

### 27 Fixed Assets:

(a)	(i) Land, Buildings and Roads were revalued as at December 31, 1985 at depreciated market value on the basis of valuation made by a Government Registered Valuer. The revalued amounts were revised during the year ended December 31, 1987 by the said Valuer based on certain information provided by the Company. The indices, if any, used are not stated in the valuation. The amounts added on revaluation after the aforesaid revision are given here:	Land	19.1
		Buildings and Roads	19.0
		<b>Total</b>	<b>38.1</b>
	(ii) Depreciation on the increase in the value of fixed assets due to revaluation is transferred to Profit & Loss balance (surplus)/ Statement of Profit and Loss and no amount of additional depreciation has been recouped from the revaluation reserve.		
(b)	Buildings include ₹ 250, being cost of five ordinary shares of ₹ 50 each of Nariman Bhavan Premises Co-operative Society Limited and ₹ 500 being cost of ten ordinary shares of ₹ 50 each of Parekh Market Premises Co-Operative Society Limited, which entitle the Company to real estate.		

### 28 Contracts on Capital Account

		2016	2015
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances).		187.1	338.8

### 29 Contingent Liabilities not Provided for in Respect of

		2016	2015
Claims against the Company not acknowledged as debts:			
<b>(a) Employees and ex-employees related matters:</b>			
(i)	Matters pending in Labour Court / Civil Court / High Court for reinstatement of service / recovery of salary	111.2	116.5
(ii)	Applicability of provident fund on certain benefits to employees	–	236.7
(iii)	Demand for discontinuing of contract system and for differential wages	0.8	18.0
(iv)	Applicability of Employees State Insurance on certain benefits paid to the employees	–	10.7
		<b>112.0</b>	<b>381.9</b>
<b>(b) (i) Sales tax:</b>			
	For non receipt of C Forms and non acceptance of Company's claim of certain sales as exempt sales in respect of assessment years 2006-07, 2007-08 and 2009-10.	23.4	26.1
<b>(ii) Service tax:</b>			
	In respect of matters where the Company has received favourable orders / partial relief from the First Appellate authorities but the Central Excise and Customs Department is pursuing further with higher Appellate authorities (excluding the matters if not ultimately allowed, would be allowed in the following assessment years).	0.9	0.9
<b>(iii) Excise duty:</b>			
	In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.	8.1	–
<b>(c) Income tax:</b>			
	In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.	147.7	115.2
	In respect of matters where the Company has received favourable orders / partial relief from the First Appellate authorities but the Income Tax Department is pursuing further with higher Appellate authorities (excluding the matters if not ultimately allowed, would be allowed in the following assessment years).	40.7	40.7

## Notes to the Financial Statements

for the year ended December 31, 2016

(₹ in million)

### 30 Details of Imported and Indigenous Raw Materials, Components and Spare Parts consumed during the Financial Year

	Amount	2016 % of Total Consumption	Amount	2015 % of Total Consumption
<b>Raw Material</b>				
Imported	1.3	25%	0.3	50%
Indigenous	3.8	75%	0.3	50%
<b>Total</b>	<b>5.1</b>	<b>100%</b>	<b>0.6</b>	<b>100%</b>
<b>Components</b>				
Imported	2,691.9	39%	2,607.2	41%
Indigenous	4,131.7	61%	3,719.7	59%
<b>Total</b>	<b>6,823.6</b>	<b>100%</b>	<b>6,326.9</b>	<b>100%</b>
<b>Spare parts</b>				
Imported	209.4	27%	159.6	27%
Indigenous	564.0	73%	435.9	73%
<b>Total</b>	<b>773.4</b>	<b>100%</b>	<b>595.5</b>	<b>100%</b>

### 31 CIF Value of Imports

	2016	2015
Raw materials and components	2,539.1	2,694.7
Traded goods	3,666.6	2,888.6
Stores and spares	215.1	143.2
Capital goods	373.4	369.4
<b>Total</b>	<b>6,794.2</b>	<b>6,095.9</b>

### 32 Expenditure in Foreign Currency

	2016	2015
<b>(Gross) subject to deduction of tax wherever applicable:</b>		
(i) Fee for use of Technology / Trademark	295.0	274.5
(ii) Travelling expenses	19.7	8.8
(iii) Charges for SAP / R3 and its connectivity & maintenance	103.3	85.4
(iv) Management service charges – (outside services)	–	0.1
(v) Reimbursement of Expat Cost	14.5	18.7
(vi) Others – (Training, testing charges, catalogues, etc.)	55.5	26.5
(vii) Technical services (capitalised)	–	1.1
<b>Total</b>	<b>488.0</b>	<b>415.1</b>

### 33 Dividend Remittances in Foreign Currency

	2016	2015
On 8,529,183 Equity Shares of ₹ 10 each to one non-resident shareholder:		
- for the year ended December 31, 2015	85.3	–
- for the year ended December 31, 2014	–	64.0

### 34 Earnings in Foreign Exchange

	2016	2015
Sales of service	1.2	9.4
FOB value of export	2,947.3	2,973.0
Others (reimbursement of expenses)	13.5	14.3
<b>Total</b>	<b>2,962.0</b>	<b>2,996.7</b>



(₹ in million)

**35** Research and development expenses under the respective heads aggregate to ₹ 139.4 million (Previous year ₹ 120.9 million) including of capital nature ₹ 0.5 million (Previous year: ₹ Nil).

**36** The tax year for the Company being the year ending March 31, 2017, provision for taxation for the year is aggregate of the provision made for three months ended March 31, 2016 and provision based on the figures for remaining nine months period upto December 31, 2016, the ultimate tax liability of which will be determined on the basis of figures for the year April 1, 2016 to March 31, 2017.

The Company's international and domestic transactions with associated enterprises are at arm's length, as per the independent accountant's report for the year ended March 31, 2016. The management believes that the Company's international and domestic transactions with associated enterprises post March 31, 2016 continue to be at arm's length and that transfer pricing legislations will not have any impact on the financial statements, particularly on the amount of tax expenses for the year and the amount of provision for taxation at the year end.

### 37 Segment Reporting

The business of the Company mainly comprises of sale of "Ball/Roller Bearings and related components", which has been identified as a single reportable segment for the purpose of Accounting Standard (AS) 17 on 'Segment Reporting'.

Sales revenue by geographical market:	2016	2015
Domestic	14,951.3	14,104.6
Exports	2,947.3	2,973.0
<b>Total</b>	<b>17,898.6</b>	<b>17,077.6</b>

Assets and additions to tangible and intangible assets by geographical area:

The following table shows the carrying amount of segment assets and capital expenditure during the year by geographical market in which the assets are located:

	Segment assets		Cost incurred to acquire fixed assets	
	2016	2015	2016	2015
Domestic	17,544.6	15,608.8	769.8	799.5
Exports	665.9	643.6	-	-
<b>Total</b>	<b>18,210.5</b>	<b>16,252.4</b>	<b>769.8</b>	<b>799.5</b>

Domestic geographical segment includes certain assets which are common to both the geographical segment (i.e. Domestic and Export). Un-allocable assets represents income taxes.

### 38 Disclosure in Respect of Assets Taken on Lease

#### Operating Leases

The Company has entered into lease rent agreement for equipment, vehicles and leave and license agreements for few office premises (along with furniture and fixtures in certain cases). The lease typically run for period ranging between 12 months to 48 months. These leasing arrangements are cancellable, and are renewable on a periodic basis by mutual consent on mutually accepted terms including escalation of lease rent. The agreements contain clause for restriction on sub leasing.

Lease payments recognised in the Statement of Profit and Loss for the year:	2016	2015
Premises and equipment	22.5	15.4
Vehicles	14.1	15.1
<b>Total</b>	<b>36.6</b>	<b>30.5</b>

# Notes to the Financial Statements

for the year ended December 31, 2016

(₹ in million)

## 39 Related Party Disclosures as Required under AS 18 are given below

(1) Name and nature of relationship of the Related Party where control exists:

FAG Kugelfischer GmbH, Germany: Holding Company holds 8,529,183 equity shares i.e. 51.33% of the equity share capital as at the year end. The ultimate control lies with INA Holding Schaeffler GmbH & Co. KG – Germany.

(2) Names of the Related Parties having transactions with the Company during the year.

2016	2015
<b>Holding Company</b> FAG Kugelfischer GmbH, Germany	<b>Holding Company</b> FAG Kugelfischer GmbH, Germany
<b>Fellow Subsidiary / Associate Companies</b> Schaeffler Australia Pty. Ltd., Australia Schaeffler Brasil Ltda., Brazil Schaeffler (China) Co. Ltd., China Schaeffler Holding (China) Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler (Nanjing) Co. Ltd., China Schaeffler (Ningxia) Co. Ltd., China Schaeffler Middle East FZE, Dubai Schaeffler Technologies AG & Co. KG, Germany Schaeffler AG, Germany Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany Schaeffler Elfershausen AG & Co. KG, Germany FAG Industrial Services GmbH, Germany WPB Water Pump Bearing GmbH & Co. KG, Germany Schaeffler Hong Kong Co. Ltd., Hong Kong INA Bearings India Pvt. Ltd., India LuK India Pvt. Ltd., India Schaeffler Bearings Indonesia, PT, Indonesia Schaeffler Japan Co. Ltd., Japan Schaeffler Korea Corporation, Korea Schaeffler Mexico, S. de R.L. de C.V., Mexico Schaeffler Bearings (Malaysia) Sdn. Bhd., Malaysia Schaeffler Portugal Unipessoal Lda., Portugal (formerly known as Schaeffler Portugal S.A.) Schaeffler Philippines Inc., Philippines SC Schaeffler Romania S.R.L., Romania Schaeffler (Singapore) Pte. Ltd., Singapore Schaeffler South Africa (Pty.) Ltd., South Africa Schaeffler Kysuce, spol. s.r.o., Slovakia (formerly known as INA Kysuce, spol. s.r.o.) Schaeffler (Thailand) Co. Ltd., Thailand Schaeffler (UK) Ltd., UK The Barden Corporation, USA Schaeffler Group USA Inc., USA Schaeffler Vietnam Co. Ltd., Vietnam	<b>Fellow Subsidiary / Associate Companies</b> Schaeffler Australia Pty. Ltd., Australia Schaeffler Brasil Ltda., Brazil Schaeffler Canada Inc., Canada Schaeffler (China) Co. Ltd., China Schaeffler Holding (China) Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler (Nanjing) Co. Ltd., China Schaeffler (Ningxia) Co. Ltd., China Schaeffler Middle East FZE, Dubai Schaeffler France S.A.S., France Schaeffler Technologies AG & Co. KG, Germany (Formerly Known as Schaeffler Technologies GmbH & Co. KG) Schaeffler AG, Germany Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany FAG Industrial Services GmbH, Germany LuK Truckparts GmbH & Co. KG, Germany Schaeffler Verwaltung Zwei GmbH, Germany WPB Water Pump Bearing GmbH & Co. KG, Germany Schaeffler Hong Kong Co. Ltd., Hong Kong INA Bearings India Pvt. Ltd., India LuK India Pvt. Ltd., India Schaeffler Bearings Indonesia, PT, Indonesia Schaeffler Japan Co. Ltd., Japan Schaeffler Korea Corporation, Korea Schaeffler Mexico, S. de R.L. de C.V., Mexico Schaeffler Bearings (Malaysia) Sdn. Bhd., Malaysia Schaeffler Portugal S.A., Portugal Schaeffler Philippines Inc., Philippines SC Schaeffler Romania S.R.L., Romania Schaeffler (Singapore) Pte. Ltd., Singapore Schaeffler South Africa (Pty.) Ltd., South Africa INA Kysuce, spol. s.r.o., Slovakia Schaeffler (Thailand) Co. Ltd., Thailand The Barden Corporation, USA The Barden Corporation (UK) Ltd., UK Schaeffler Group USA Inc., USA Schaeffler Vietnam Co. Ltd., Vietnam
<b>Key Management Personnel</b> Mr. Rajendra Anandpara, Managing Director	<b>Key Management Personnel</b> Mr. Rajendra Anandpara, Managing Director

(3) Transactions with related parties during the year: (₹ in million)

Nature of Transaction	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Purchase of Finished Goods	–	3,573.6 (2,816.5)	–	3,573.6 (2,816.5)
Purchase of Raw materials and Components / Spares	–	802.3 (683.5)	–	802.3 (683.5)
Purchase of Tangible Assets	–	280.9 (318.0)	–	280.9 (318.0)
Fees for use of Technology / Trademark	–	295.0 (274.5)	–	295.0 (274.5)
Charges for SAP / R3 and Connectivity	–	103.3 (85.1)	–	103.3 (85.1)
Dividend for the year - 2015 - 2014	85.3 (64.0)	– –	– –	85.3 (64.0)
Deputation, Traveling, Training, Testing & Other Costs	–	54.6 (33.5)	–	54.6 (33.5)
Lease rent paid	–	9.5 –	–	9.5 –
Reversal of Other cost	–	– (1.7)	–	– –
Management Service charges paid	–	22.7 (13.3)	–	22.7 (13.3)
Expat Cost	–	14.5 (18.7)	–	14.5 (18.7)
Sale of finished goods	–	2,945.3 (2,985.7)	–	2,945.3 (2,985.7)
Technical services including capitalised	–	– (1.1)	–	– (1.1)
Reversal of Technical services including capitalised	–	9.7 (2.6)	–	9.7 (2.6)
Managerial Remuneration*	–	–	13.5 (12.5)	13.5 (12.5)
Management Service charges recovered	–	30.2 (23.3)	–	30.2 (23.3)
Loan recovered	–	500.0 –	–	500.0 –
SAP cost recovered	–	– (12.0)	–	– (12.0)
Payments on behalf of related parties (Reimbursement)	–	16.5 (36.2)	–	16.5 (36.2)
Trade and other receivables	–	646.9 (668.8)	–	646.9 (668.8)
Trade payables	–	1,176.9 (1,132.9)	–	1,176.9 (1,132.9)
Advance received from Customers	–	21.2 (31.9)	–	21.2 (31.9)
Interest on loan given	–	142.6 (159.6)	–	142.6 (159.6)
Service Income	–	2.3 (12.1)	–	2.3 –
Lease rent recovered	–	1.7 (0.3)	–	1.7 (0.3)
Purchase of Investment	–	–	–	–
	(43.4)	(81.9)	–	(125.3)

\* Does not include gratuity and leave encashment benefits which are determined for the Company as a whole.

Note: Figures in the brackets represent previous year's figures.

## Notes to the Financial Statements

for the year ended December 31, 2016

(4) Balances outstanding as at December 31, 2016 (₹ in million)

Nature of Transaction Fellow Subsidiaries / Associate Companies	Amount
<b>Trade Receivables</b>	
Schaeffler Technologies AG & Co. KG, Germany	277.7 (374.0)
Schaeffler Group USA Inc., USA	81.5 (67.8)
Others	277.4 (133.1)
<b>Trade Payables</b>	
Schaeffler Technologies AG & Co. KG, Germany	1,099.5 (919.7)
Others	77.4 (213.2)
<b>Advance received from Customers</b>	
Schaeffler (Ningxia) Co. Ltd., China	3.6 (31.9)
LuK India Pvt. Ltd., India	17.6 -
<b>Loans Receivables</b>	
INA Bearings India Pvt. Ltd., India	850.0 (850.0)
LuK India Pvt. Ltd., India	100.0 (600.0)
<b>Other Receivables</b>	
INA Bearings India Pvt. Ltd., India	1.7 (10.4)
LuK India Pvt. Ltd., India	1.1 (8.9)
The Barden Corporation, USA	2.3 (1.5)
Schaeffler (Ningxia) Co., Ltd., China	2.5 -
Schaeffler Technologies AG & Co. KG, Germany	2.6 -
Others	0.1 (1.4)

(5) The Significant Related Party Transactions are as under:

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Purchase of finished goods	Schaeffler Technologies AG & Co. KG, Germany	3,406.8 (2,633.5)
Purchase of raw material and components / spares	Schaeffler Technologies AG & Co. KG, Germany	635.4 (520.2)
	Schaeffler (China) Co. Ltd., China	75.4 (76.5)
Purchase of tangible fixed assets	Schaeffler Technologies AG & Co. KG, Germany	125.5 (191.1)
	Schaeffler (China) Co. Ltd., China	153.8 (77.1)
	Schaeffler Brasil Ltda., Brazil	1.1 (37.9)
Sale of finished goods	Schaeffler Technologies AG & Co. KG, Germany	1,112.1 (1,365.7)

Continued...

Continued...

(₹ in million)

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Sale of finished goods	Schaeffler Trading (Shanghai) Co. Ltd., China	507.1 (414.4)
	Schaeffler Group USA Inc., USA	336.4 (334.9)
Fees for use of technology / Trademark	Schaeffler Technologies AG & Co. KG, Germany	292.8 (272.9)
Charges for SAP / R3 and connectivity	Schaeffler Technologies AG & Co. KG, Germany	103.3 (85.1)
Deputation, travelling, training, testing & other costs	Schaeffler Technologies AG & Co. KG, Germany	25.9 (19.5)
	Schaeffler Trading (Shanghai) Co. Ltd., China	2.2 (3.6)
	Schaeffler Hong Kong Co. Ltd., Hong Kong	– (4.7)
	Schaeffler (Nanjing) Co., Ltd., China	10.5 –
	Schaeffler Japan Co., Ltd., Japan	11.0 –
	Lease rent paid	INA Bearings India Pvt. Ltd., India
Reversal of Other cost	Schaeffler Verwaltung Zwei GmbH, Germany	– (1.7)
Management service charges paid	INA Bearings India Pvt. Ltd., India	22.7 (13.2)
Technical services including capitalised	Schaeffler Technologies AG & Co. KG, Germany	– (1.1)
Reversal of Technical services including capitalised	Schaeffler (Nanjing) Co., Ltd., China	9.7 –
	Schaeffler Holding (China) Co. Ltd., China	– (2.6)
Expat cost	Schaeffler Technologies AG & Co. KG, Germany	8.7 (9.4)
	Schaeffler Korea Corporation, Korea	5.5 (9.3)
Loan recovered	LuK India Pvt. Ltd., India	500.0 –
SAP cost recovered	INA Bearings India Pvt. Ltd., India	– (6.0)
	LuK India Pvt. Ltd., India	– (6.0)
Payments on behalf of related parties (Reimbursement)	LuK India Pvt. Ltd., India	0.8 (11.0)
	INA Bearings India Pvt. Ltd., India	2.2 (11.0)
	The Barden Corporation, USA	5.6 (5.0)
	Schaeffler (Ningxia) Co., Ltd., China	2.5 –
	Schaeffler (Thailand) Co. Ltd., Thailand	– (3.7)
	Schaeffler Technologies AG & Co. KG, Germany	5.4 (4.3)

Continued...



## Notes to the Financial Statements

for the year ended December 31, 2016

*Continued...*

Nature of Transactions	Fellow Subsidiary / Associate Companies	(₹ in million)
		Amount
Management service charges recovered	INA Bearings India Pvt. Ltd., India	18.3 (12.8)
	LuK India Pvt. Ltd., India	11.9 (10.5)
Interest on loan given	INA Bearings India Pvt. Ltd., India	92.2 (93.5)
	LuK India Pvt. Ltd., India	50.4 (66.1)
Service income	Schaeffler Technologies AG & Co. KG, Germany	– (8.5)
	INA Bearings India Pvt. Ltd., India	1.2 (2.7)
	Schaeffler (Ningxia) Co., Ltd., China	0.9 –
Lease rent recovered	INA Bearings India Pvt. Ltd., India	1.3 (0.2)
	LuK India Pvt. Ltd., India	0.4 (0.1)
Purchase of investment	INA Bearings India Pvt. Ltd., India	– (81.9)
	FAG Kugelfischer GmbH, Germany	– (43.4)
Dividend paid	FAG Kugelfischer GmbH, Germany	85.3 (64.0)

Note: Figures in the brackets represent previous year's figures.

- 40** (a) Excise duty paid and collected from customers is shown separately and deducted from the Sales turnover (Gross) in the Statement of Profit and Loss.
- (b) Excise duty appearing under other expenses represents the difference between the closing and opening stock of manufactured finished goods of ₹ 17.6 million (Previous year: ₹ 19.0 million).

### 41 Derivative Instruments

The Company has entered into foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to firm commitments and highly probable transactions.

The Company has adopted and applied the principles of hedge accounting as set out in Accounting Standard (AS) 30, 'Financial Instruments: Recognition and measurement' issued by Institute of Chartered Accountants of India in respect of highly probable forecasted transactions or firm commitments, which were previously accounted following the principles of prudence as per AS 1.

#### Disclosure of Accounting Policies:

Loss on the fair valuation of forward covers, which qualify as effective cash flow hedge amounting to ₹ 62.5 million (Previous year: Gain of ₹ 8.6 million) on the Balance Sheet date has been recognised in the Hedging reserve account.

Outstanding forward exchange contracts as at year end are as follows:

Category	Currency Hedged	2016		2015	
		Notional Amount in Foreign Currency	Equivalent Amount in ₹ at year end	Notional Amount in Foreign Currency	Equivalent Amount in ₹ at year end
Forward exchange contracts (to hedge highly probable exports receivables)	USD	14,285,140	968.4	15,330,000	1,135.1
Forward exchange contracts (to hedge highly probable imports payable)	EURO	21,994,240	1,571.5	15,535,000	1,013.2

(₹ in million)

**Foreign currency exposures as at year end:**

Particulars	Currency	Amount in Foreign Currency	Equivalent Amount in Indian Currency
Trade payables	USD	2,142,027.4 (4,458,780.1)	145.2 (297.3)
	EURO	16,131,037.3 (13,093,322.8)	1,152.5 (956.7)
	CHF	41,323.5 –	2.7 –
	JPY	1,221,800.0 (30,780.0)	0.7 –
	CNY	9,495,077.7 (10,538,789.0)	92.7 (108.1)
Advances from customers	USD	52,820.5 (482,113.0)	3.6 (31.9)
Trade receivables	USD	5,107,993.1 (3,902,942.8)	346.3 (257.9)
	EURO	4,202,786.7 (5,235,128.3)	300.3 (377.1)
Advances to suppliers	USD	26,752.3 (172,870.5)	1.8 (11.5)
	EURO	34,630.8 (55,390.3)	2.5 (4.0)
	CHF	5,588.0 –	0.4 –
	GBP	766.6 (766.6)	0.1 (0.1)
Bank balance in EFC accounts	USD	254,691.4 (264,133.9)	17.3 (17.5)
	EURO	1,253,141.7 (1,347,824.6)	89.5 (97.1)

Note: Figures in the brackets represent previous year's figures.

## 42 Employee benefits: Post employment benefit plans

### Defined contribution plans:

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund, which is a defined contribution plan. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to ₹ 57.0 million (Previous year: ₹ 50.8 million) and contribution to superannuation fund for the year aggregated to ₹ 25.9 million (Previous year: ₹ 23.9 million).

### Defined benefit plans:

The Company has defined benefit plans that provide gratuity benefit and provident fund for certain employees. The gratuity plan entitles an employee, who has rendered at least five years of continuous service, to receive one-half month's salary for each year of completed service at the time of retirement/exit. The Scheme is funded by the plan assets.

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of certain employees towards Provident Fund to a Company managed PF Trust. The contributions are charged to Statement of Profit and Loss as they accrue. Based on actuarial valuation report, there is no shortfall in the Trust fund as at December 31, 2016.

# Notes to the Financial Statements

for the year ended December 31, 2016

The following table summarises the position of assets and obligations relating to the two plans: (₹ in million)

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Fair value of plan assets	283.5	265.7	89.8	85.3
Present value of obligations	321.5	282.3	89.8	85.3
<b>Asset / (Liability) recognised in Balance Sheet</b>	<b>(38.0)</b>	<b>(16.6)</b>	<b>-</b>	<b>-</b>

## Classification into current / non-current

The (asset) / liability in respect of each of the two plans comprises of the following non-current and current portions:

	Non-current		Current	
	2016	2015	2016	2015
Gratuity	38.0	16.6	-	-
Provident Fund	-	-	-	-
<b>Total</b>	<b>38.0</b>	<b>16.6</b>	<b>-</b>	<b>-</b>

## Composition of plan assets:

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Government of India Securities	-	-	45%	40%
Insurer Managed Funds	100%	100%	-	-
Corporate Bonds	-	-	49%	49%
Special Deposit Scheme	-	-	1%	1%
Others	-	-	5%	10%

## Movement in present values of defined benefit obligations:

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Defined benefit obligation at January 1	282.3	265.6	85.3	86.1
Transfer due to amalgamation	-	2.0	-	-
Service cost	16.8	12.8	3.4	3.6
Interest cost	22.5	21.7	6.9	6.9
Actuarial losses (gains)	23.6	11.0	(0.3)	0.8
Benefits paid / Employees contribution	(23.7)	(30.8)	(5.5)	(12.1)
<b>Defined benefit obligation at December 31</b>	<b>321.5</b>	<b>282.3</b>	<b>89.8</b>	<b>85.3</b>

## Movement in fair value of plan assets:

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Fair value of plan assets at January 1	265.7	246.1	85.3	86.1
Expected return	20.6	18.5	7.6	7.7
Actuarial gains and (losses)	2.1	(1.3)	(1.0)	-
Contributions by employer	18.9	33.2	3.4	3.6
Benefits paid / Employees contribution	(23.7)	(30.8)	(5.5)	(12.1)
<b>Fair value of plan assets at December 31</b>	<b>283.6</b>	<b>265.7</b>	<b>89.8</b>	<b>85.3</b>

## Expense recognised in the Statement of Profit and Loss:

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Current service cost	16.8	12.8	3.4	3.6
Interest on obligation	22.5	21.7	6.9	6.9
Expected return on plan assets	(20.6)	(18.5)	(7.6)	(7.7)
Net actuarial losses (gains) recognised in year	21.5	12.3	0.7	0.7
<b>Total included in 'Employee benefit expense'</b>	<b>40.2</b>	<b>28.3</b>	<b>3.4</b>	<b>3.5</b>

(₹ in million)

**Actual return on plan assets:**

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Expected return on plan assets	20.6	18.5	7.6	7.7
Actuarial gain / (loss) on plan assets	2.1	(1.3)	(1.0)	-
Actual return on plan assets	22.7	17.2	6.6	7.7

**Principal actuarial assumptions**

The following are the principal actuarial assumptions:

	Gratuity		Provident Fund	
	2016	2015	2016	2015
Discount rate per annum as at December 31	7.00%	8.15%	7.00%	8.15%
Expected return per annum on plan assets as at December 31	7.50%	8.00%	9.46%	9.03%
Future salary increment	6.50%	7.00%	Not applicable	Not applicable
Retirement age	58 Years	58 Years	Not applicable	Not applicable
Mortality	Indian Assured Lives Mortality (2006-08) Ult table	Indian Assured Lives Mortality (2006-08) Ult table	Not applicable	Not applicable
Attrition rate	1% - 2%	1% - 2%	Not applicable	Not applicable
Discount Rate for the Remaining Term to Maturity of the Investment (p.a.)	Not applicable	Not applicable	6.60%	8.03%
Average Historic Yield on the Investment (p.a.)	Not applicable	Not applicable	9.06%	8.91%
Guaranteed Rate of Return (p.a.)	Not applicable	Not applicable	8.80%	8.75%

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.

Assumptions regarding future mortality are based on published statistics and mortality tables. The calculation of the defined benefit obligation is sensitive to the mortality assumptions.

**Five-year information**

Particulars	Gratuity					Provident Fund	
	2012	2013	2014	2015	2016	2016	2015
Defined benefit obligation	225.5	215.2	265.6	282.3	321.5	89.8	85.3
Plan assets	207.2	228.8	246.1	265.7	283.5	89.8	85.3
Surplus / (Deficit)	(18.3)	13.7	(19.5)	(16.6)	(38.0)	-	-
Experience adjustment of plan liabilities	6.7	(6.1)	32.8	4.2	9.3	(0.3)	0.8
Experience adjustment of plan assets	4.3	4.1	7.7	(1.3)	2.1	(1.1)	-

**43** During the previous year, FAG Roller Bearings Private Limited, a wholly owned subsidiary of the Company, incorporated with the main object to manufacture of machines, was amalgamated into the Company pursuant to the Scheme of Amalgamation ('the Scheme'), as on and from January 1, 2015 being the appointed date pursuant to the approval of the Board of Directors and shareholders of the Company and sanctioned by the Honorable High Court of Bombay vide its order dated November 3, 2015.

In accordance with the Scheme, the Company took over assets aggregating to ₹ 240.6 million, liabilities aggregating to ₹ 176.2 million and deficit amounting to ₹ 109.4 million at their respective book values. On cancellation of investments made by the Company in FAG Roller Bearings Private Limited against its share capital as on the appointed date, the resultant surplus of ₹ 5.2 million has been credited to capital reserve.

# Notes to the Financial Statements

for the year ended December 31, 2016

(₹ in million)

## 44 Dues to Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from October 2, 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.

## 45 Corporate Social Responsibility

The Company spent ₹ 62.9 million (Previous year: ₹ 30.7 million) during the current financial year, which consisted of capital expenditure amounting to ₹ 47.5 million (Previous year: ₹ 14.9 million) and revenue expenditure amounting to ₹ 15.4 million (Previous year: ₹ 15.8 million). Out of ₹ 62.9 million, the Company has already incurred ₹ 47.5 million (Previous year: ₹ 29.9 million) during the year and balance of ₹ 15.4 million (Previous year: ₹ 0.8 million) is yet to be incurred.

## 46 Previous Year Figures

Details of regrouping / reclassification for the previous year

Particulars	Amount before reclassification	Adjustment	Amount after reclassification
<b>Employee benefits expenses</b>			
Provident fund	50.8	3.3	54.1
Staff welfare expenses	134.7	(62.5)	72.2
Salaries, wages and incentives	1,080.0	62.5	1,142.5
<b>Other expenses</b>			
Miscellaneous expenses	38.5	(3.3)	35.2

*As per our report of even date attached*

For **B S R & Co. LLP**

Chartered Accountants

Firm's Reg. No. 101248W / W-100022

**Vijay Mathur**

Partner

Membership No. 046476

Mumbai: February 14, 2017

For and on behalf of the Board of Directors of

**FAG Bearings India Limited**

CIN : L29130MH1962PLC012340

**Avinash Gandhi**

Chairman

DIN: 00161107

**Rajendra Anandpara**

Managing Director

DIN: 02461259

**Satish Patel**

Chief Financial Officer

**Raj Sarraf**

Company Secretary

Mumbai: February 14, 2017



To  
The Member(s)  
FAG Bearings India Limited

Notice is hereby given that the 54<sup>th</sup> Annual General Meeting of “FAG BEARINGS INDIA LIMITED” will be held on Friday, April 21, 2017 at 3:00 pm at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021, Maharashtra, India, to transact the following businesses:

### ORDINARY BUSINESS

- To receive, consider and adopt the Financial Statements including Balance Sheet as at December 31, 2016 and the Statement of Profit and Loss for the year ended on that date along with Directors' and Auditors' Report thereon.
- To declare Dividend for the year ended December 31, 2016.
- To appoint a Director in place of Mr. Klaus Rosenfeld (DIN: 07087975), who retires by rotation and being eligible offers himself for re-appointment.
- To appoint a Director in place of Mr. R. Sampath Kumar (DIN: 00495192), who retires by rotation and being eligible offers himself for re-appointment.
- To ratify the appointment of Auditors and to fix their remuneration.

To consider and if thought fit to pass, with or without modification, the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 139, 142 and such other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder, as amended from time to time and in line with the Ordinary Resolution passed by the Members at 52<sup>nd</sup> Annual General Meeting held on April 24, 2015, appointment of M/s. BSR & Co. LLP, Chartered Accountants (Reg. No. 101248 W / W-100022), Mumbai, as the Statutory Auditors of the Company (for five years from the conclusion of 52<sup>nd</sup> Annual General Meeting) and for them to hold office from the conclusion of this Annual General Meeting till the conclusion of 55<sup>th</sup> Annual General Meeting to be held in the year 2018, be and is hereby ratified.”

“RESOLVED FURTHER THAT the Audit Committee and / or Board of Directors be and is hereby authorised to fix their remuneration according to the scope of their services in line with prevailing provisions of applicable rules and regulations made in this regard.”

“RESOLVED FURTHER THAT the Key Managerial Personnel of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto.”

### SPECIAL BUSINESS

- Approval on Material Related Party Transactions

To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in accordance with the prevailing provisions of the Companies Act, 2013 read with rules made thereunder, consent of the members of the Company be and is hereby accorded to Material Related Party Transactions with “Schaeffler Technologies AG & Co. KG”, Germany for a period of three years from 2017 and such approval is further accorded to an increase of up to 15% over and above the consolidated value of transactions in the previous financial year.”

“RESOLVED FURTHER THAT the Key Managerial Personnel of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto.”

- Remuneration to the Cost Auditors

To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and pursuant to the recommendation of the Audit Committee, M/s. Y. S. Thakar & Co., Cost Accountants having Firm Registration No. 000318, appointed by the Board of Directors of the Company as Cost Auditors to conduct the audit of the cost records of

the Company for the Financial Year ending December 31, 2016 and 2017, be paid a remuneration of ₹ 100,000 (Rupees One Lakh only), per year, excluding all taxes and reimbursement of out of pocket expenses.”

“**RESOLVED FURTHER THAT** the Key Managerial Personnel of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto.”

8. Appointment of Mr. Dharmesh Arora as Director

To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, Mr. Dharmesh Arora (DIN: 05350121) be and is hereby appointed as Director of the Company.”

“**RESOLVED FURTHER THAT** the Chief Financial Officer and the Company Secretary of the Company be and are hereby severally authorised to take necessary actions and complete all the legal formalities related thereto.”

9. Appointment of Mr. Dharmesh Arora as Managing Director

To consider and if thought fit, to pass, with or without modification, the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to provisions of Sections 196, 197, 198, 203 and all other applicable provisions, if any, of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and Schedule V of the Companies Act, 2013, the appointment of Mr. Dharmesh Arora (DIN: 05350121) as Managing Director by the Board of Directors be and is hereby confirmed for a period of five years w.e.f. March 6, 2017, on the terms and conditions as agreed between the Company and Mr. Arora vide employment agreement dated March 6, 2017 and whose office shall not be liable to retirement by rotation.”

“**RESOLVED FURTHER THAT** the Employment Agreement dated March 6, 2017 executed between the Company and Mr. Arora, be and is hereby approved.”

“**RESOLVED FURTHER THAT** in accordance with the provisions of Sections 196, 197 and other applicable provisions, if any, read with Schedule V of the Companies Act, 2013 and subject to other consents, if any, and in accordance with the Employment Agreement executed with Mr. Arora, the approval of the Company be and is hereby accorded to appointment of Mr. Dharmesh Arora at such remuneration and perquisites for the year 2017 as per details given below;

- |  |   |
|--|---|
| A) Fixed Base Salary: ₹ 7,866,000 per annum,   | F) Company's Contribution to National Pension Scheme (NPS): 10% of Fixed Base Salary. |
| B) Short-term Bonus: ₹ 5,834,000 per annum,  | G) Travelling and out of pocket expenses in accordance with the Rules of the Company. |
| C) House Rent Allowance: ₹ 1,980,000 per annum (including utilities),                                      | H) Annual Leave: 15 days of annual leave per year.                                    |
| D) Personal Allowances: ₹ 2,753,100 per annum,   | I) Sick Leave: up to one month in a year, and   |
| E) Company's Contribution to Provident Fund: to the extent these are not taxable under the Income Tax Act. | J) Personal accidental and life insurance coverage according to Company policy.”      |

“**RESOLVED FURTHER THAT** subject to the overall ceiling as stipulated in Section 197 read with Schedule V of the Companies Act, 2013, the Board be and is hereby authorised to approve increase by way of annual increment as it may think fit within the overall remuneration limit of the Managing Director for the period up to and including 2021 which is as follows;

- |  |   |
|--|---|
| A) Fixed Base Salary: ₹ 11,500,000 per annum,  | F) Company's contribution to National Pension Scheme (NPS): 10% of Fixed Base Salary. |
| B) Short-term Bonus: ₹ 8,500,000 per annum,  | G) Travelling and out of pocket expenses in accordance with the Rules of the Company. |
| C) House Rent Allowance: ₹ 2,900,000 per annum (including utilities),                                      | H) Annual Leave: 15 days of annual leave per year.                                    |
| D) Personal Allowances: ₹ 4,000,000 per annum,   | I) Sick Leave: up to one month in a year, and   |
| E) Company's Contribution to Provident Fund: to the extent these are not taxable under the Income Tax Act. | J) Personal accidental and life insurance coverage according to Company policy.”      |

“**RESOLVED FURTHER THAT** the Chairman, the Chief Financial Officer and the Company Secretary of the Company be and are hereby severally authorised to take the necessary actions and complete all legal formalities related thereto.”

**By Order of the Board**

**Raj Sarraf**  
Company Secretary  
ICSI M. No: ACS15526

New Delhi: March 6, 2017

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THIS 54<sup>th</sup> ANNUAL GENERAL MEETING OF THE COMPANY, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. A PROXY SO APPOINTED SHALL HAVE NO RIGHT TO SPEAK AT THE MEETING.
2. A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY, PROVIDED THAT SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.
3. The instrument of proxy, duly completed, should be lodged at the Registered Office of the Company not less than forty-eight hours before the commencement of the Annual General Meeting. No Proxy Form shall be considered as valid on its receipt after 3:00 pm. on April 19, 2017.
4. The Company has notified closure of Register of Members and the Transfer Books from April 15, 2017 to April 20, 2017 (both days inclusive) to determine entitlement of dividend on equity shares. The dividend will be paid to those shareholders, whose name appears on the 'Register of Members' of the Company as at the end of business hours on April 14, 2017. The dividend, as recommended by the Board of Directors and if declared at the Annual General Meeting, will be paid within the specified time limit.
  - a) Shareholders, who have not encashed the dividend warrants for the years 2009, 2010, 2011, 2012, 2013, 2014 and 2015 are requested to lodge their request with the Company immediately.
  - b) Pursuant to provisions of Section 205A read with Section 205 C of the Companies Act, 1956 unclaimed Dividend up to the year 2008 were transferred to the Investor Education and Protection Fund in time.
5. In terms of Section 72 of the Companies Act, 2013, Nomination facility is available to individual shareholders holding shares in the physical form. The shareholders who are desirous of availing this facility, may kindly write to Company's R & T Agent - M/s. Link Intime India Private Limited, B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, Vadodara 390020, Gujarat, India for nomination form by quoting their folio number.
6. National Electronic Clearing Services (NECS) has been permitted by Reserve Bank of India. Shareholders may fill up the option Form and send it to the Registrars by March 31, 2017.
7. As per Section 136 of the Companies Act, 2013 read with Rule 11 of Companies (Accounts) Rules, 2014, financial statements may be sent to the Members -
  - a) by electronic mode to such Members whose shares are held in dematerialised form and whose email Ids are registered with Depository for communication purposes;

- b) where Shares are held in physical form, by electronic mode to such Members who have positively consented in writing for receiving by electronic mode; and
- c) by dispatch of physical copies through any recognised mode of delivery as specified under Section 20 of the Companies Act, 2013, in all other cases.

In case, you desire to receive the aforesaid documents in electronic mode in lieu of physical mode, kindly update your e-mail ID with:

- a) Our Registrar & Share Transfer Agent: for the Shares held in physical form and
- b) Your respective Depository Participants: for the Shares held in dematerialised form.

8. Members, who have not yet dematerialised their shares, are recommended to get their shares dematerialised at the earliest.
9. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, and Regulation 44 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Members are provided with the facility to cast their votes electronically, through the e-voting services provided by Central Depository Services (India) Limited (CDSL), on all the resolutions set forth in this Notice.

The Members, whose names appear in the Register of Members / Beneficial Owners as on the record date (cut-off date) i.e. Friday, April 14, 2017, may cast their vote electronically. The e-voting period will commence from Tuesday, April 18, 2017 at 9:00 am (IST) and will end at 5:00 pm (IST) on Thursday, April 20, 2017. The e-voting module will be disabled on April 20, 2017 at 5:00 pm (IST). The voting right of shareholders shall be in proportion to their share in the paid up equity share capital of the Company as on the cut-off date, being April 14, 2017.

Any person who acquires shares of the Company and becomes a Member of the Company after dispatch of the Notice and holding shares as on the cut-off date i.e. Friday, April 14, 2017, may obtain User ID and password by sending a request at our RTA i.e. M/s Link Intime India Pvt. Ltd. e-mail: vadodara@linkintime.co.in. However, Shareholders who are already registered with CDSL for remote e-voting, can use their existing User ID and password for casting their votes.

#### The instructions for Shareholders voting electronically are as under:

- (i) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (ii) Now click on Shareholders to cast your votes.
- (iii) Now Enter your User ID
  - a) For Members holding shares in Demat Form:

- **For CDSL:** 16 digits beneficiary ID,
  - **For NSDL:** 8 Character DP ID followed by 8 Digits Client ID,
- b) For Members holding shares in Physical Form:  
Enter Folio Number registered with the Company.
- (iv) Next enter the Image Verification as displayed and click on Login.
- (v) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any Company, then your existing password can be used.
- (vi) If you are a first time user follow the steps given below:

### For Members holding shares in Demat Form and Physical Form

<b>PAN</b>	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)  Members who have not updated their PAN with the Company / Depository Participant are requested to use the Sequence Number which is printed on attendance Slip indicated in the PAN field.
------------	--

<b>DOB*</b>	Enter the Date of Birth as recorded in your demat account or in the Company records in dd/mm/yyyy format.
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<b>Dividend Bank Details*</b>	Enter the Dividend Bank Details as recorded in your demat account or in the Company records.
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*\*Please enter the DOB or Dividend Bank Details in order to login. If both the details are not recorded with the depository or Company, please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iii)*

- (vii) After entering these details appropriately, click on "SUBMIT" tab.
- (viii) Members holding shares in physical form will then directly reach the Company selection screen. However, Members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (x) Click on the relevant E-voting Sequence Number (EVSN) for the FAG BEARINGS INDIA LIMITED for which you choose to vote.

- (xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option Yes implies that you assent to the Resolution and option No implies that you dissent to the Resolution.
- (xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xv) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvi) If Demat account holder has forgotten the login password, then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xvii) Shareholders can also cast their vote using CDSL's mobile app m-Voting. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xviii) Note for Non-individual Shareholders and Custodians i.e. Corporate/Institutional Members (FIs/FILs/Trust/Mutual Fund/Banks, etc.)
- Non-individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
  - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
  - The list of accounts linked in the login should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
  - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favor of the Custodian, if any, should be uploaded in PDF format in the system for the scrutiniser to verify the same.
- In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
10. Statement under Section 102 of the Companies Act, 2013 in respect of Item nos. 6, 7, 8 and 9 under "Special Business", is attached hereto. All documents referred to in the Notice are open for inspection at the Registered Office of the Company between 10:00 am to 5:00 pm. on any working day up to the date of Annual General Meeting.

**Statement under Section 102 of the Companies Act, 2013 relating to Special Business mentioned in the Notice convening the 54<sup>th</sup> Annual General Meeting;**
**ITEM No. 6 Approval on Material Related Party Transactions**

In order to sustain quality standards of the Schaeffler Group, quantitative benefits, ease of customer reach, global representation and in the best interest of the Company and its shareholders, major transactions of the Company pertaining to sale, purchase or supply of goods, materials & services have been since long with Schaeffler Group Company, i.e. Schaeffler Technologies AG & Co. KG, Germany. Considering the prevailing market trend these transactions will continue in the year 2017 and thereafter.

A summary of transactions carried out with 'Schaeffler Technologies AG & Co. KG, Germany' during the financial year 2016 together with projections until 2019 are as under:

		2016		Turnover %	Projected Transactions Proposed for Approval		
		Actual	Cumulative		2017	2018	2019
1	Purchase of Finished Goods	3,406.8					
2	Sales of Finished Goods	1,112.1					
3	Purchase of Raw Material & Components	635.4					
4	Purchase of Tangible Fixed Assets / Technical Services	125.5					
5	Service Income - Received	0.1					
6	Charges for SAP / R 3 and connectivity - Paid	103.3	5,716.0	30.37	Δ 15% on 2016	Δ 15% on 2017	Δ 15% on 2018
7	Expat Cost - Paid	8.7					
8	Fees for use of technology / trademark - Paid	292.8					
9	Deputation, Traveling, Training, Testing, Insurance, Support Fee & Other Cost - Reimbursed	25.9					
10	Payments on behalf of related parties - Received	5.4					

These transactions as well as the proposed transactions would continue to be in ordinary course of business and at arm's length basis.

Pursuant to provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015, all 'Material Related Party Transactions' will require approval of the members through an ordinary resolution.

Since the aggregate value of these transactions (year to date plus proposed in 2017) is likely to exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, the said transactions would be considered to be Material Related Party Transactions for the purpose of provisions of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and will thus require approval of the members of the Company through an Ordinary Resolution. The Audit Committee and Board of Directors have reviewed major terms & conditions of these transactions and recommend to the members for their approval by way of an Ordinary Resolution.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out at Item No. 6 of the Notice except to the extent of their shareholding or employment in the Company, its Holding Company or Associate Group Company, if any, in the Company.



The Board recommends the Resolution under Item No. 6 of the Notice for approval of the Members as an Ordinary Resolution.

### ITEM No. 7

#### Remuneration to the Cost Auditors

M/s Y. S. Thakar & Co., Cost Accountants, was appointed as the Cost Auditors of the Company in its Board Meeting held on February 12, 2016 for conducting the audit of the cost records of the Company for the Financial Year ending December 31, 2016.

Upon the recommendation of the Audit Committee, the Board of Directors of the Company in its meeting held on February 14, 2017 has, based upon the eligibility and consent to act as such, re-appointed M/s Y. S. Thakar & Co., Cost Accountants, as the Cost Auditors of the Company for conducting the audit of the cost records of the Company for the Financial Year ending December 31, 2017.

The Audit Committee and the Board have approved a remuneration of ₹ 100,000 (Rupees One Lakh only) per year for 2016 and 2017 respectively, excluding all taxes and reimbursement of out of pocket expenses.

Pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, Members of the Company are required to ratify the remuneration to be paid to the cost auditors of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 7 of the Notice for ratification of the remuneration payable / to be paid to the Cost Auditors for conducting the audit of the cost records of the Company for the Financial Year ending December 31, 2016 and 2017 respectively.

None of the Directors, Key Managerial Personnel of the Company and their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out in Item No. 7 of the Notice.

The Board recommends the Resolution under Item No. 7 of the Notice for approval of the Members as an Ordinary Resolution.

### ITEM No. 8

#### Appointment of Mr. Dharmesh Arora as Director

Mr. Dharmesh Arora is a Mechanical Engineer qualified from University of Mumbai and holds a TRIUM Global Executive MBA degree. He has over 27 years of experience in the automotive industry.

Mr. Dharmesh Arora was appointed as the Additional Director by the Board with effect from March 6, 2017. Pursuant to provisions of Section 161 of the Companies Act, 2013 read with Article 126 of the Articles of Association of the Company, Mr. Dharmesh Arora holds office upto the date of this Annual General Meeting.

His continued association with the Company as a Director would be a great advantage. Your Directors therefore recommend his election to the office of Director of the Company. The Company has received notice together with a deposit of ₹ 100,000/- for his candidature for the office of Director under Section 160 of the Companies Act, 2013.

None of the Directors except Mr. Dharmesh Arora or Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out in Item No. 8 of the Notice.

The Board recommends the Resolution under Item No. 8 of the Notice for approval of the Members as an Ordinary Resolution.

### ITEM No. 9

#### Appointment of Mr. Dharmesh Arora as Managing Director

Mr. Dharmesh Arora was appointed as the Managing Director of the Company with effect from March 6, 2017 by the Board in its meeting held on March 6, 2017. The Employment Agreement was executed between the Company and Mr. Dharmesh Arora on March 6, 2017. The Directors are of the view that his knowledge, experience guidance would be useful for the growth of the Company in the future as well.

Mr. Arora is not holding any equity shares in the Company.

The material terms and conditions of the agreement including remuneration are as follows:

**A. DUTIES AND POSITION**

- a) Mr. Arora agrees to serve the Company in the capacity of Managing Director for the period March 6, 2017 to March 5, 2022 (subject to earlier termination as hereinafter provided) on the terms and conditions herein contained. Six months prior to the end of the period for which Mr. Arora has been appointed, both Parties shall mutually agree on whether Mr. Arora shall be reappointed as Managing Director for a further period.
- b) Mr. Arora will be overall in-charge of all operations of the Company and entrusted with substantial powers of management of the affairs of the Company. He shall report to the Chairman.
- c) Mr. Arora shall faithfully adhere to, execute and fulfil all policies and guidelines established by the Board of Directors of the Company and by Corporate Headquarters of the Schaeffler Group.
- d) Irrespective of his authorisation to represent the Company externally in accordance with the Articles of Association, special shareholders' resolutions or statutory laws, Mr. Arora is obliged to observe all Schaeffler Group guidelines and procedures applicable internally to him and to the Company and to ensure that they are observed within the Company, especially with regard to the rights, obligations and restrictions of the Approval Guideline P 170002.
- e) Mr. Arora further undertakes to ensure adherence to the compliance standards valid within the Schaeffler Group. This includes in particular observance of the “Anti-Bribery and Anti-Corruption Guideline” (on the handling of acceptance of gratuities and gifts) and the “Competition and Antitrust Guideline” (dealings with competitors and business partners).
- f) Mr. Arora confirms that he has knowledge of the content of the foresaid guidelines and guarantees that they are adopted within the Company and agrees to take the necessary measures to enforce a compliance environment within the Company.
- g) Mr. Arora shall devote the most substantial part of his time and attention to the affairs of the Company and shall not, without its express consent in writing, engage in any business, profession or occupation (whether or not competing with its business) or become a Director, consultant, partner or owner in or of any other entity. Notwithstanding the provisions of this Clause, Mr. Arora may in addition act as the Managing Director of INA Bearing India Private Limited and carry the title of “CEO Schaeffler India”.
- h) Mr. Arora shall well and faithfully serve the Company and use his best endeavors to promote the interests thereof. He shall not, while an employee thereof or thereafter, directly or indirectly, divulge any information concerning the affairs, or any information of whatever nature which he shall have acquired during his employment, to anyone or to use it for any purpose except performance of his duties in terms of his Employment Agreement.

**B. REMUNERATION AND BENEFITS**

As remuneration for his services, Mr. Arora shall be entitled to receive remuneration as under;

(Amount in ₹ per annum)

No.	Particulars	2017	Max. up to 2021
1	Fixed Base Salary	7,866,000	11,500,000
2	Short-Term Bonus (STB)	5,834,000	8,500,000
3	House Rent Allowance (HRA)	1,980,000	2,900,000
4	Perquisites / Allowances (max.)	2,753,000	4,000,000
5	Company's Contribution to Funds	1,731,000	2,500,000

Mr. Arora shall be entitled to receive other benefits as under;

- A) Travelling and out of pocket expenses in accordance with the Rules of the Company.
- B) Mr. Arora shall be entitled to his annual leave during the course of employment as per the Rules of the Company. Mr. Arora shall be entitled to 15 days of annual leave per year. Generally, such annual leave must be taken within the relevant calendar year. As per the rules of the Company, un-availed leave is encashable at the end of the year.

## Annexure to Notice

- C) Leave of up to one month in a year, should Mr. Arora be unable, due to sickness or accident or other incapacity, to discharge the duties being performed by him.
- D) Personal accidental and life insurance coverage for Mr. Arora according to Company policy.

### C. OTHER TERMS AND TERMINATION OF EMPLOYMENT

Other terms and the termination of employment shall be governed as per the Employment Agreement with Mr. Arora.

The above may be treated as an abstract under Section 190 of the Companies Act, 2013.

A copy of the referred agreement entered into between the Company on the one part and Mr. Arora on the other part is open for inspection by the members at the Registered Office or at the Head Office of the Company on any working day between 10.00 am and 12.00 noon till the Annual General Meeting.

The appointment and remuneration paid / payable to Mr. Arora is required to be approved by the shareholders in the General Meeting and accordingly this resolution is being placed before the members for approval.

A brief resumé and shareholding of Directors who are being appointed or re-appointed have been included in the Corporate Governance Report.

None of the Directors except Mr. Dharmesh Arora or Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the Resolution set out in Item No. 9 of the Notice.

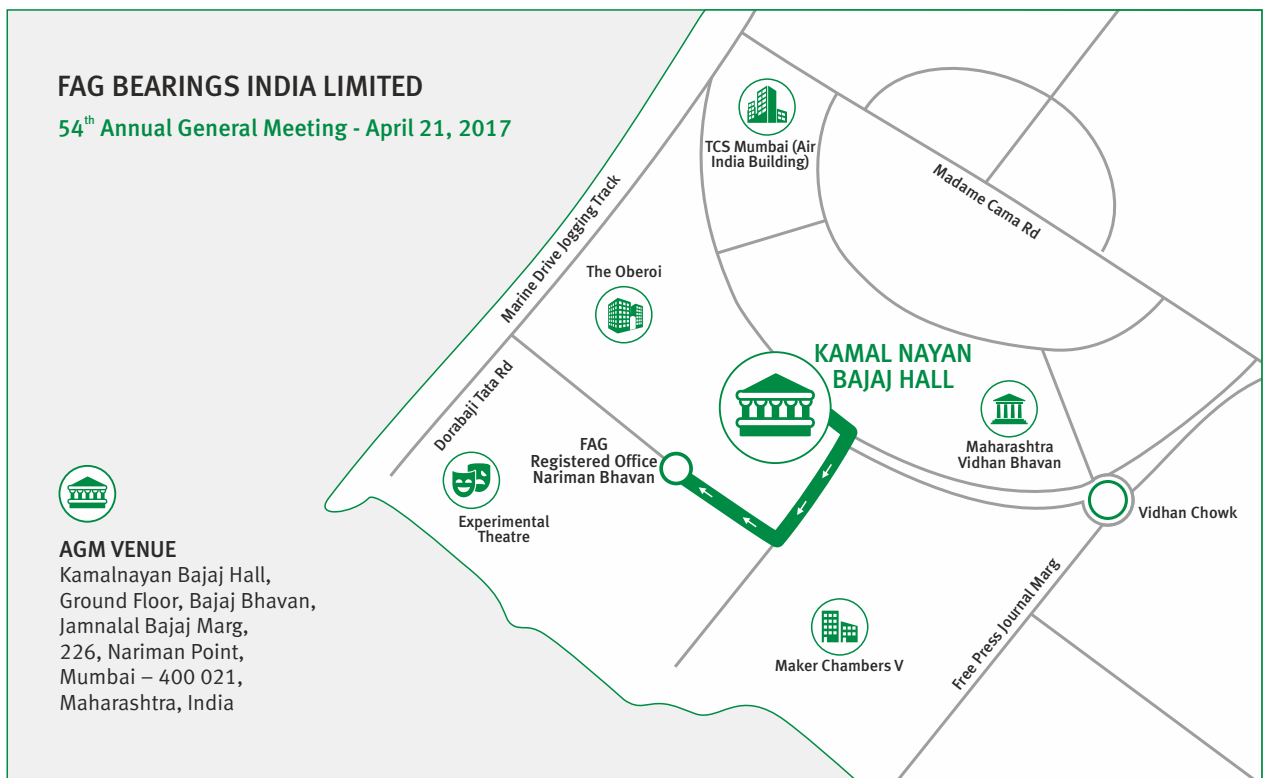
The Board recommends the Resolution under Item No. 9 of the Notice for approval of the Members as an Ordinary Resolution.

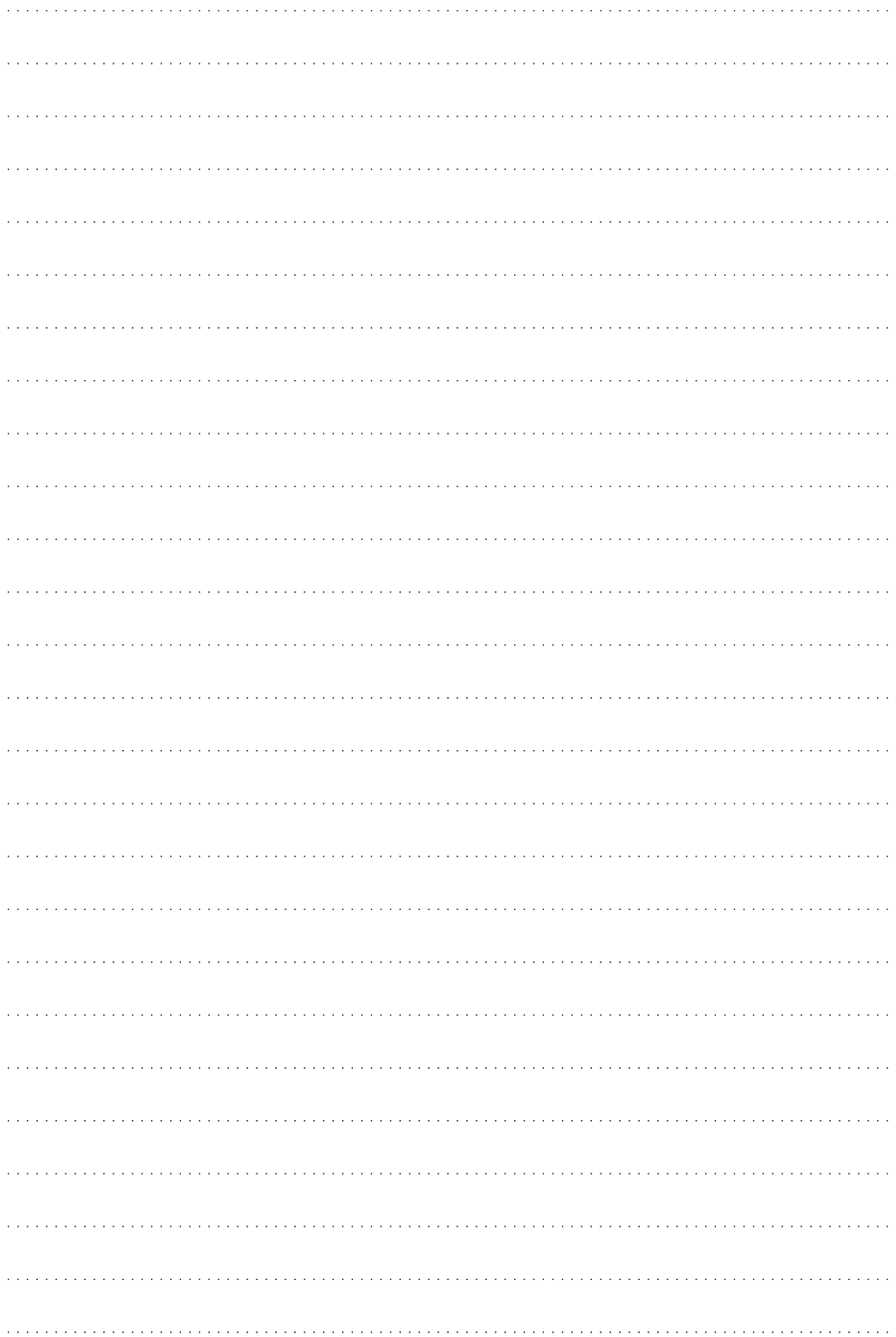
By Order of the Board

**Raj Sarraf**  
Company Secretary  
ICSI M. No: ACS15526

New Delhi: March 6, 2017

## Route Map For AGM





To,

**Link Intime India Private Limited****The Registrar & Share Transfer Agent****Unit: FAG Bearings India Limited**

B-102 & 103, Shangrila Complex, First Floor,  
Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota,  
Vadodara - 390 020 Gujarat, India  
E-mail: vadodara@linkintime.co.in  
Ph. No.: 0265 - 2356573, 2356794



Dear Sir(s),

**Subject: Update my / our e-mail address(es) in your records.**

Please note my / our following e-mail address(es) and send notice / documents through electronic mode in future:

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**1** Name of the Shareholder / Beneficial Owner

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**2** Registered Folio / DP ID and Client ID

---

**3** No. of shares

---

**4** E-mail address of the first named  
Shareholder / Beneficial Owner

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**5** E-mail address of the second / third named  
Shareholder / Beneficial Owner

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**6** Contact Numbers

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**Date:**

**Place:**

---

Signature of the Shareholder / Beneficial Owner







**FAG BEARINGS INDIA LIMITED**

CIN - L29130MH1962PLC012340

Regd. Office: 'Nariman Bhavan', 8<sup>th</sup> Floor, 227, Backbay Reclamation, Nariman Point, MUMBAI - 400 021, Maharashtra, India

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

**54<sup>th</sup> Annual General Meeting - April 21, 2017**

Name of the Member(s)

Registered address

E-mail ID

Folio No. / Client ID

DP ID

I / We, being the member(s) of \_\_\_\_\_ shares of the above named Company, hereby appoint

**1** Name

Address

E-mail ID

Signature

, or failing him

**2** Name

Address

E-mail ID

Signature

, or failing him

**3** Name

Address

E-mail ID

Signature

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 54<sup>th</sup> Annual General Meeting of the Company, to be held on Friday, the 21<sup>st</sup> day of April, 2017 at 03.00 pm at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhavan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021, Maharashtra, India and at any adjournment thereof in respect of such resolutions as are indicated below:

**Ordinary Business**

1. To receive, consider and adopt the Financial Statements including Balance Sheet as at December 31, 2016 and the Statement of Profit and Loss for the year ended on that date along with Directors' and Auditors' Report thereon.
2. To declare dividend for the year ended December 31, 2016.
3. To appoint a Director in place of Mr. Klaus Rosenfeld (DIN: 07087975), who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. R. Sampath Kumar (DIN:00495192), who retires by rotation and being eligible offers himself for re-appointment.
5. To ratify the appointment of Auditors and to fix their remuneration.

**Special Business**

6. Approval on Material Related Party Transactions.
7. Remuneration to the Cost Auditors.
8. Appointment of Mr. Dharmesh Arora as Director.
9. Appointment of Mr. Dharmesh Arora as Managing Director.

Signed this      *(Date)*      day of      *(Month)*      2017.

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Signature of Shareholder

₹ 1 Revenue Stamp with Proxy's Signature
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**Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**

# National Electronic Clearing Service (NECS)

(Credit clearing)

Dear Shareholder,

You can avail of the NECS facility, NECS operates as under:

- You need to send the NECS Form given overleaf after filling up the relevant details to the registrar.

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- The Company would instruct its dividend banker to credit your account. Your account would get an immediate credit with marking 'NECS' for the amount of dividend.

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- This is an alternative mode of payment and is optional. You would have the right to withdraw from this mode of payment by giving an advance notice of 6 weeks.

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- If you are agreeable to participate in the new payment mechanism, you are requested to fill in the Mandate Form given overleaf. The information to be supplied should be accurate and complete in all respects. The NECS Form should reach the registrar latest by April 1, 2017, who will inform the shareholders opting for this facility about the credit of dividend amount.

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- Those shareholders who prefer to get dividend warrant and who have not given bank details so far may send the details for printing on dividend warrant.
  - (i) Shareholders with shares in demat mode may send their bank details to their respective depository participants.
  - (ii) Shareholders with physical shares may write to the Registrar or the Company.



## NECS / Bank Mandate Update Form

(Shareholders' option to receive payments through Credit Clearing Mechanism)

For Shares Held in Physical Mode	For Shares Held in Electronic Mode
To, <b>Link Intime India Private Limited</b> Registrar & Share Transfer Agent Unit: FAG Bearings India Limited B-102 & 103, Shangrila Complex, First Floor, Opp. HDFC Bank, Near Radhakrishna Char Rasta, Akota, VADODARA - 390 020 Gujarat, India E-mail: vadodara@linkintime.co.in Ph. No.: 0265 - 2356573, 2356794	To, (Name & Address of Depository Participant)    

Dear Sir(s),

**Sub.: Payment of Dividend through NECS (NECS Mandate Form)**

I / We hereby give my / our mandate to credit my / our Dividend on the share/s held by me / us under the Demat Account mentioned directly to my / our Bank Account through the National Electronic Clearing System [NECS] / to prepare my / our dividend warrant with details of my / our Bank Account No. and Name of the Bank & Branch.

**The Details of the Bank Account are given below.**

Name of First / Sole Shareholder (in BLOCK letters)

Folio Number as appearing on Share Certificate / DP ID & Client ID

Name of the Bank in full

Branch Name

Address & Telephone No. of the Bank

9 Digit Code No. of the Bank & Branch as appearing on the MICR Cheque issued by the Bank

Type of Account with Code  Saving Bank - 10  Current - 11  Cash Cr. - 13

A/c No. as appearing on the Cheque Book	Bank Ledger No. / Bank Ledger Folio No. (if any, appearing on the Cheque Book)	PAN / GIR No.
---	---	---------------

Address of the Shareholder

I / We enclose a blank cancelled cheque / photo copy of cheque / front page of savings Bank passbook to enable you to verify the details. (This is required only in case of NECS).

I / We hereby declare that the particulars given above are correct and complete. If the transaction is delayed because of incomplete or incorrect information, I / We would not hold the Company / the user institution responsible. I / We undertake to inform any subsequent changes in the above particulars before the relevant Book closure Date(s). I / We understand that, the above details shall be maintained by you till I/We hold the shares in physical / electronic mode under the captioned Folio No. / DP ID & Client ID.

Date:

Place:

Signature of Sole / First Shareholder







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## ONE IDEA: BILLIONS OF REVOLUTIONS

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In 1883 Friedrich Fischer invented the Ball Grinding Machine. On July 17, 1890, he received his patent (55783) from Imperial Patent Germany. The world had now found the right method of mass production of ball bearings. Since then this invention has set billions of innovations rolling – be it automobiles, e-motors or wind generators, rolling bearings are omnipresent in modern machines.

To celebrate 125 years of this revolutionary invention, Schaeffler sent out 4 balls across the globe like the torch of Olympics. In picture, a FAG India employee holds the symbolic ball to project the spirit of togetherness.

## **FAG Bearings India Limited**

Maneja, Vadodara - 390 013  
Gujarat, India.  
Tel.: +91 265 6602000 - 2004  
Fax: +91 265 2638804  
[www.schaeffler.co.in](http://www.schaeffler.co.in)