

**SCHAEFFLER**

**FAG**



## Trust and Transformation

**50<sup>th</sup>**  
year of  
incorporation

**FAG Bearings India Limited**

Annual Report 2011

## miles to go...

Turning 50 is an important milestone for an organisation. It is time to reminisce the past, review the present and reflect on the future.

As we look back at half a century of enriching experiences and continuous learning, we are reminded of pleasures and pains of growth and of collective resilience that ensured that the organisation not only survived many difficult and uncertain times but emerged stronger after every crisis.

Indeed, these 50 years have been a testimony of trust.

It is time to pause for a while and express our gratitude to the shareholders, customers, suppliers, business associates and to our employees for the immense trust and confidence they have showed in us at every stage of this eventful journey.

It is also time to reflect on the future - a future that promises to be both exciting and challenging.

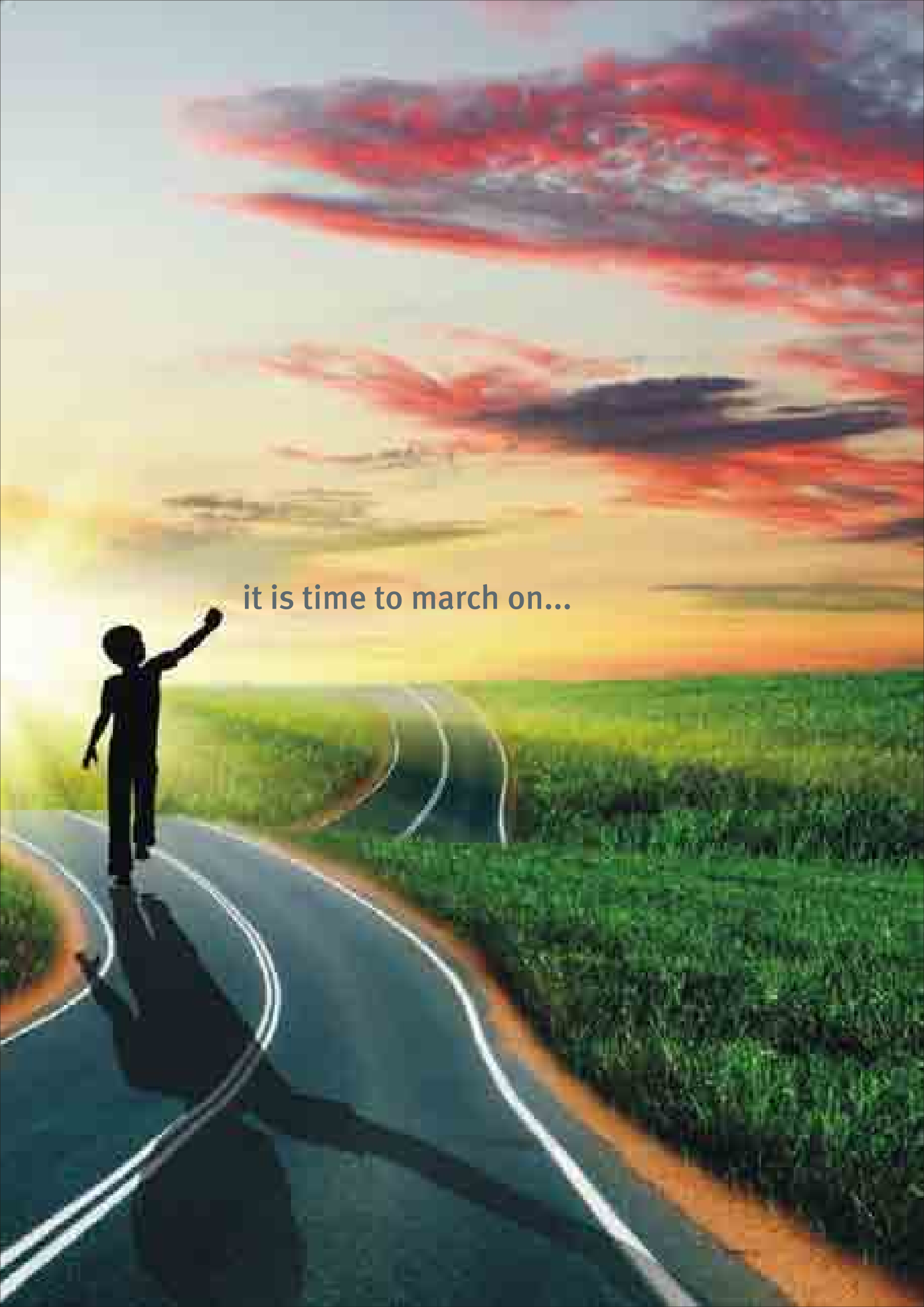
Rapid economic growth of India opens up many exciting opportunities. At the same time success in a globalised environment demands that the organisation has cutting edge competence in terms of its product, process and people capabilities to be able to fulfill ever increasing customer expectations.

The next 50 years will be vastly different from the past 50. As we strive hard to propel the organisation into the next orbit, we realise that sustainable success in future demands a fresh transformational approach of an enduring great company.

While we celebrate the success, we remind ourselves of the long journey ahead. We know that we have to build organisational excellence, step by step. This will demand courageous leadership and committed teamwork - day after day, year after year.

With our vast experience and ever forthcoming support and guidance from Schaeffler in all fields, we at FAG India have confidence, courage and optimism to shape our destiny.

it is time to march on...





*Maria-Elisabeth Schaeffler with FAG India's Board of Directors*

In October 2011, the Board of Directors (BoD) of FAG India visited Schaeffler Headquarters in Germany. During this visit, BoD toured the plants and R&D facilities at Luk - Buehl, FAG - Schweinfurt and INA - Herzogenaurach.

The BoD was impressed by the immense engineering and innovation capabilities of Schaeffler and exchanged views on FAG India's roadmap for the future with Schaeffler top management.

## Message from Maria-Elisabeth Schaeffler

*Deputy Chairwoman of the Supervisory Board and Partner, Schaeffler AG*



Maria-Elisabeth Schaeffler  
Lic. oec. HSG Georg F. W. Schaeffler, JD/LLM

**Dear Chairman Mr. Gandhi,**

I am very happy to learn that FAG India is commemorating the 50th anniversary of its incorporation this year.

On this happy occasion, my son and I wish to convey our congratulations to the Board, shareholders, employees and business associates of FAG India. It is indeed due to their dedicated efforts and commitment, that the organization has reached this significant milestone in its history.

FAG with its long standing history has successfully earned the trust and confidence of customers in India. Furthermore, its continued financial success and stability over the past five decades has created a strong foundation for the company's future development.

In the 21st century, as the centre of gravity of the global economy shifts to Asia, India with its strong fundamentals is well placed for a robust and inclusive growth. I am very happy that with the investments currently under implementation at the Vadodara and Savli plants, FAG India has taken strong next steps to participate in India's growth story.

Rapid growth brings with it the challenge of sustainability. We at the Schaeffler Group are convinced that the Indian market will increasingly demand products and solutions that are not just affordable, but which are also efficient and ensure

sustainability at the same time. The recently concluded Auto Expo 2012 in New Delhi bears witness to this trend where Indian customers showed keen interest in the Schaeffler Group's Efficient Future Mobility concept.

During the FAG India Board of Directors visit to the Schaeffler Group headquarter in Germany last year, you saw the immense innovation capabilities of the three Schaeffler brands INA, LuK and FAG. In order to ensure that these capabilities are fully leveraged in the Indian market, we will continue to guide and assist the Indian organization in its efforts towards further development of local R&D and engineering capabilities.

It is our firm belief that organizational development and employee development are inseparable. The Schaeffler Group will encourage and support the Indian organization in its endeavor to enhance the personal development and well being of all our employees in India. FAG India continues to be an important member of the Schaeffler Group.

On behalf of my son and myself, I would like to convey our sincere appreciation to all at FAG India and would like to assure them all of our continued support in their current and future endeavors.

With kind regards and all good wishes,

**Maria-Elisabeth Schaeffler**

## The Journey so Far

1962

Precision Bearings India Limited was incorporated



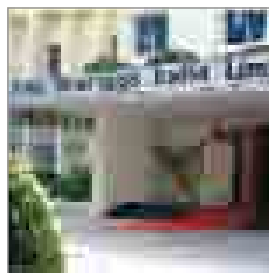
1969

FAG Germany acquired shares from Norma Hoffman



1986

Name of the Company changed to FAG Bearings India Limited



1993

FAG became the first Indian bearing company to achieve ISO 9001 certification



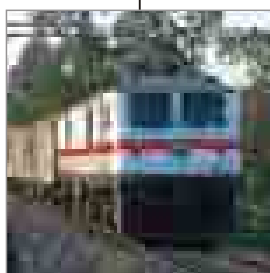
1964

Production commenced at Vadodara Plant



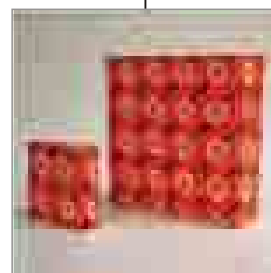
1975

Expansion: Railway Bearing Plant was commissioned



1992

Brand name changed from NORMA to FAG



1997



Commissioned  
export oriented  
unit for  
cylindrical  
roller bearings

2001



**SCHAEFFLER**

FAG  
became a  
part of  
Schaeffler  
Group

2007



Introduced  
E1 Spherical  
Roller Bearings

2011



Commissioned  
3rd Generation  
Wheel Bearing  
Plant at  
Vadodara

1999



Commissioned  
India's first  
Wheel  
Bearing Plant  
at Vadodara

2003



Validation Centre  
set up  
at Vadodara

2010



Commenced  
advanced X-life  
bearing  
production at  
Vadodara



The FAG brand started with an ingenious idea. In 1883, Friedrich Fischer 'Founder of FAG' - invented the ball grinding machine. This machine for the first time, allowed steel balls to be ground to perfectly round shape and in large volumes. Round steel balls represent creativity, perfection and simplicity at the same time - the values that we live in our organisation daily.



## Tradition of Trust



1962 was the year when Precision Bearings India Limited (FAG's predecessor) or PBI was formed.

Doing business in those years was different. India's economy in terms of its size and its growth offered only a limited potential. And years of 'protected' economic environment did not stimulate excellence in business.

Despite these constraints, some companies maintained their focus and defined their own course. FAG was one of those companies.

FAG Germany became part of our Company's journey in 1969 when it acquired control of Norma Hoffman - the Company's initial collaborators. And with that began the tradition of Quality.

Active involvement of FAG Germany since initial years of Indian operations ensured that the emphasis on precision, process discipline and continuous improvement always formed an integral part of all our strategies and actions.

While endorsing 'Quality Focus' as its clear long-term direction, the Company, in its true Indian tradition, nurtured strong partnerships with all shareholders, customers, employees, vendors, channel partners and business associates.

Since five decades, we have consistently demonstrated our commitment to Quality and have constantly expanded our capabilities while emphasising long-term approach towards all our relationships. Our stakeholders have been co-travelers in the 50 years of the Company's journey - supporting, guiding and inspiring us in all our endeavours.



*FAG set up Railway bearing production in 1975 and EOU to produce cylindrical roller bearings in 1997. These investments reflected the Group's trust in Indian operations.*

"An environment of mutual trust has encouraged us to regularly expand our manufacturing and quality capabilities and thus set basis for interdependent relationship with Schaeffler."

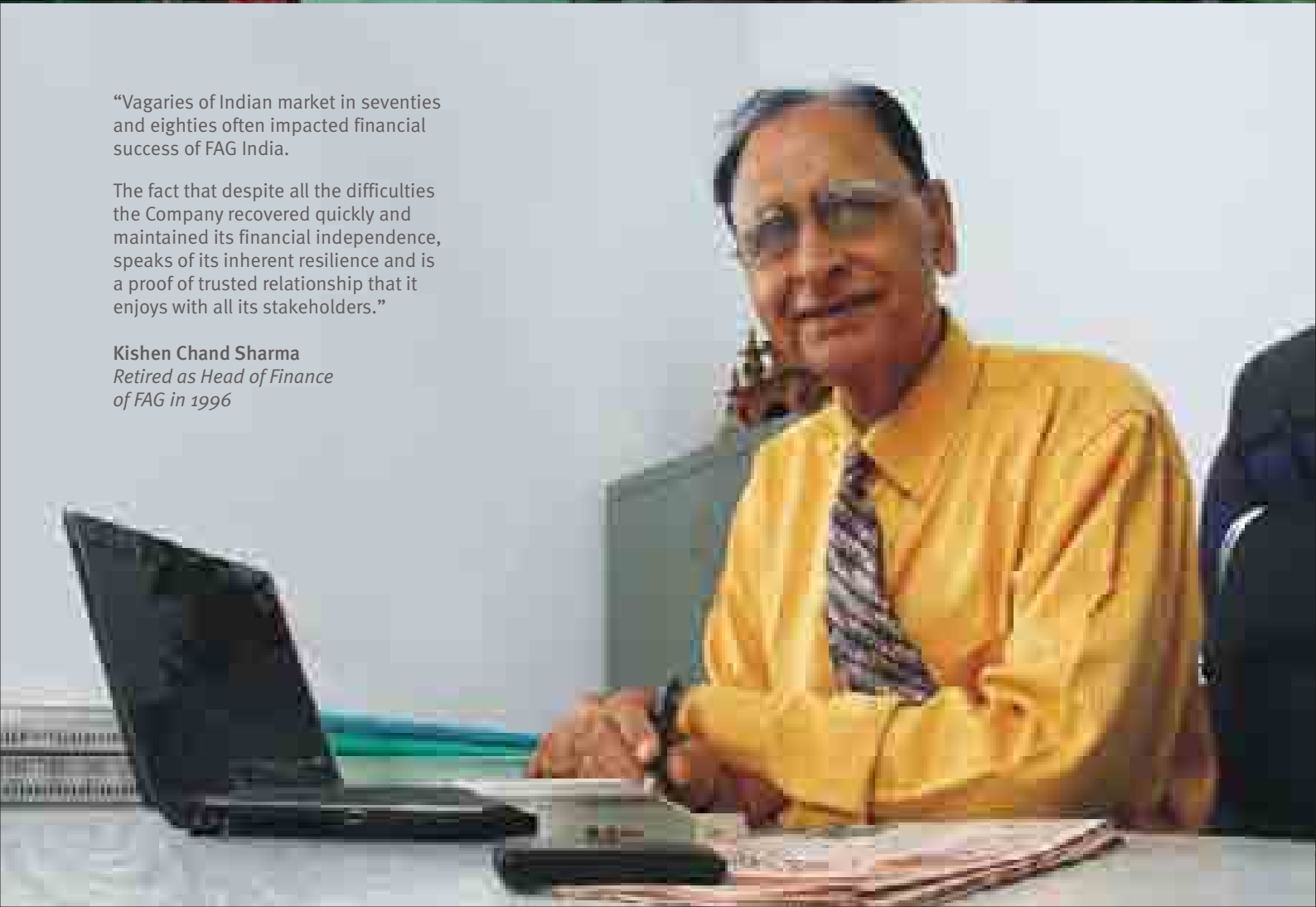
**Raju Shah and Harish Rangwala**  
*Founder Directors of Harsha Engineers*



"Vagaries of Indian market in seventies and eighties often impacted financial success of FAG India.

The fact that despite all the difficulties the Company recovered quickly and maintained its financial independence, speaks of its inherent resilience and is a proof of trusted relationship that it enjoys with all its stakeholders."




**Kishen Chand Sharma**  
*Retired as Head of Finance  
of FAG in 1996*





Another defining moment for FAG came in 2001; when it became part of Schaeffler Group. Being part of Schaeffler with its tradition of values of a family-owned enterprise having immense innovative capabilities, has opened up new vistas and inspired us to take a flight into future with relentless optimism.

Today, while we are continuously striving towards improving economic success of our organisation, we know that we have an equally important responsibility of strengthening the foundation of trust that has been built over 50 years with all our stakeholders.

			
Automotive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Industrial		<input type="radio"/>	<input type="radio"/>
Aerospace			<input type="radio"/>

*Main brands and divisions of the Schaeffler Group*

The Schaeffler Group is a leading manufacturer of rolling bearings and linear products worldwide as well as a renowned supplier to the automotive industry. The Group's success is based on great innovative force, proximity to the customer on a global scale, highest possible quality in all processes and its ability to react quickly to customers' special requirements. With its three strong brands - LuK, INA and FAG - the Schaeffler Group is active in the automotive, industrial and aerospace sectors.



FAG was the first approved bearing supplier to Maruti 800 in 1984. The automotive scenario has changed dramatically since then. Today, rapid industrialisation and economic growth are driving demand for personal transportation. At the same time, the world faces challenge of conserving resources and protecting environment. At Auto Expo 2012, we presented trendsetting Schaeffler Advanced Drive Solutions which promise potential of 30% additional fuel savings.

## Transformation Inspired by Customers

The evolution of FAG India has in many ways mirrored the evolution of Indian economy.

For India, the era before 1970s was characterised by slow growth, as the focus remained on providing people with basic products and services through government-run institutions and some core industries. During this time, FAG bearings and housings, mostly imported from Europe, ensured highly reliable operations in core industries like Steel, Cement and Power.

Then when India intensified indigenisation efforts, FAG supported this development as well. For example, in 1975 we set up Spherical and Cylindrical Roller Bearing production in India with Indian Railways as our first customer. Passenger coaches fitted with FAG spherical roller bearings and locomotives' drivetrains fitted with FAG cylindrical roller bearings have continued to move the nation, day after day.

In 1980s, Indian economy shifted gears as it slowly opened up its markets. More fundamental reforms followed in 1990s and with their renewal in 2000s, India firmly progressed towards a free market economy.

Opening of Indian economy raised the aspirations and expectations of Indian customers. The Maruti 800 which was envisioned as 'dream car for Indian middle class' was one such example. FAG was a part of this dream too as one of the first approved suppliers of bearings for Maruti 800.

Market economy also led to growing urbanisation and sharp growth in demand of personal mobility for middle class. This developed a large market for FAG ball bearings that supported millions of powerful and fuel efficient motorcycles running on Indian roads today.

In rural India, expectations of higher farm productivity led to high demand for agricultural tractors with vast capacity range and multiple functionalities. This provided another large volume opportunity for FAG products.



*At MDA exhibition in Bangalore, INA and FAG introduced many innovative products including its benchmark X-life range*



Together with INA and FAG products, Schaeffler is spurring on more efficiency and reliability in the wind power sector. Our know-how encompasses the entire powertrain system and ranges from simulation, planning, manufacturing, installation to support services. In 2011, Schaeffler Germany put the world's largest test stand (shown in the adjoining image) for wind and similar applications.



The Indian customer wanted equipment that were high quality, safer and that fulfilled the demands of increased performance while still remaining affordable. FAG was quick to identify this and responded by putting additional emphasis on building up Quality Systems across all areas of Company's operations. In 1993, we became the first Indian bearing company to obtain ISO 9001 certification and we followed up with ISO 14001 and TS 16949 certification in the year 2000 / 2001.

With the Group's immense innovative strength, we increased our focus on engineered solutions. One such example was the pioneering introduction of FAG 1st Generation Wheel Bearings for Indian passenger cars in 1999. This trendsetting innovation has ensured FAG's continuing leadership position in this segment over many years. And to take this forward, we developed advanced 3rd Generation Wheel Bearings for passenger cars and MUVs. We commissioned sophisticated production facility to produce these advanced products at Vadodara plant in 2011.

Increasing performance demands on equipment redefined design and quality standards for bearings. Bearings were designed to have smaller dimensions than before, while supporting higher speeds and loads thus constantly reducing parasitic losses.

FAG X-life products presented a perfect answer to these stringent customer needs. In 2011, we added new capacities to produce X-life Cylindrical Roller Bearings and Spherical Roller Bearings at our Vadodara plant. These premium quality products have gained wide approval of customers across Asia, Europe and America. To no one's surprise, FAG's export sales grew by 57% in 2011.

While optimising individual bearing design remains an ongoing challenge, at the next level, more and more customers are now looking for Schaeffler support to optimise performance of sub systems and systems.

With Schaeffler's vast know-how and long experience of our engineers, we support our customers in enhancing system performance.

For example, INA and FAG together provide comprehensive system solutions for wind applications. With our capabilities in system simulation and testing, we provide most effective solutions to our customers in India.

In automotive field, Schaeffler with its three brands demonstrated its immense innovation capabilities and a strong commitment to 'green future' by showcasing Schaeffler Advanced Drive Solutions at recently concluded Auto Expo 2012 in New Delhi. These advanced drive solutions featuring some of the trendsetting Schaeffler innovations like Tandem Ball Bearings offer potential to realise up to 30% improvement in vehicle fuel efficiency.

Thus, leveraging our innovation capabilities and supporting our customers to drive transformation towards a better tomorrow remains a moving target at FAG.




*Recognition from customers constantly inspires us to move towards higher levels of excellence. In 2011, Bajaj Auto and John Deere presented Supplier Awards to FAG India.*

A portrait of S.K. Choraria, an older man with grey hair and glasses, wearing a dark suit, white shirt, and a red patterned tie. He is standing with his arms crossed in front of a wall that features a large framed image of a mechanical part and a red banner with the letters 'FAG' in white.

“PRISM (Partnering to Realize Increased Share of Market) process provides an excellent basis of co-operation between FAG and Channel partners.”

**S.K. Choraria**  
*Executive Director,  
Premier (India)  
Bearings Ltd.*

A photograph showing three men in an industrial setting. They are wearing hard hats (white and yellow) and safety glasses. The man in the foreground is holding a clipboard and looking towards the right. The background shows industrial equipment and a control panel with several buttons and lights.

Hands-on Service Approach forms the cornerstone of our Industrial Aftermarket Approach



# Transformation Supported by Process

## Process Orientation

Success of a sound strategy is in the processes that surround that strategy. Being part of German corporate, process orientation is natural to us. The challenge is to maintain a strong process excellence while still retaining flexibility to respond to dynamics of emerging Indian markets.

## Innovation Process

At FAG, it all begins with processes to understand customer needs. Innovation pervades every process of our value chain and is seamlessly integrated to create maximum value for our customers. We keep track of mega trends and reflect these in our sector and product strategies.

We believe that God is in the details. Our engineers are meticulous in their understanding of customer's needs. Far beyond product knowledge, our engineers are trained to think in terms of systems and subsystem performance. We constantly map customer's applications and systematically capture inputs necessary for new product development.

Our innovation process is structured to ensure quality at every gateway. Schaeffler design tools like BEARINX® smartly captures all customer inputs and convert these into clear product specifications. A cross-functional team approach is followed at every stage of product development process to ensure that final outcome is robust in all respects.

We use simulation and FEM tools to check design principles before these are implemented in products.

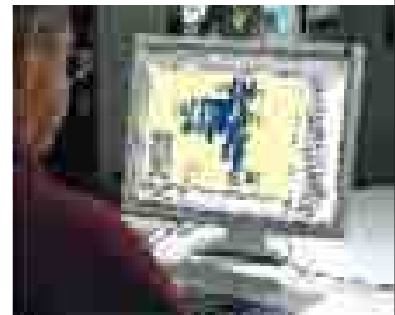
We are constantly leveraging our global testing competence for validating components as well as systems. It is with this strong process orientation that we developed and added over 100 new bearing types for Indian and global markets in 2011.

## Lean Manufacturing

Benefits of product innovation can only reach customers when manufacturing and operational processes are tuned for high level of excellence with productivity and quality as two solid deliverables.

We have regularly invested in modern manufacturing technology to ensure that precision of highest order is embedded in every product. In the year 2011, we invested in capacity expansion and quality improvement at Vadodara plant to meet growing customer expectations.

Our new factory at Savli which is currently under construction is designed to have high level of productivity.



*Innovation process supported by Schaeffler software such as BEARINX® and capabilities to work in cross functional teams are key success factors while handling complex customer and investment projects.*

“Concepts of single piece flow and lean manufacturing are built into design of Savli factory.”

Alexander Strauss | *Project Manager*



“Systematic technology transfer from global business units is our way of keeping pace with technology.”

Mukesh Amin and Bhimjibhai Kabaria | *With nearly three decades of experience at FAG, these engineers have laid solid foundation of technology in our plants.*

## MOVE

MOVE is at the core of our corporate productivity strategy. With MOVE, empowered employees work together to avoid waste with error-free processes while working in synergy with our customers.

Last year, with MOVE, we saved 1,660 m<sup>2</sup> of area and accommodated three new production cells in the space thus saved. With low cost automations, we set a basis for higher productivity.

MOVE as productivity strategy is not restricted to manufacturing. 'Muda Safaris', the systematic process of identifying scope for waste reduction in office areas, have yielded encouraging results.

In 2011, 247 FAG employees graduated in basic principles from MOVE academy. With sight on global levels of productivity, we still have a long way to go.

## Fit for Quality

Fit for Quality (FFQ) initiative entered a vigorous phase. In pursuit of zero defect target, we focused on implementation and horizontal deployment of FFQ axioms across all the functions and processes within the organisation. By following scientific processes like Workstation SWOT, Near Miss Analysis, Layered Audits, 'First Time Right' and by implementing Poka Yoke and Kaizens to make processes robust, we were successful in arresting customer complaint ppm in 2011.

## Project Management

Managing a wide range of initiatives requires active and structured cross-functional cooperation. During the year 2011, we trained our executives in Project Management and used this structure effectively to maintain quality, cost and timeline of every project in line with project goals. War room concept too was successfully used to highlight and address urgent project topics.

## TCO Approach

Our customer processes for aftermarket are designed in such a manner that customers get maximum life cycle benefits from our products and services while reducing Total Cost of Ownership (TCO) to minimum.

Our channel approach is focused on the needs of our end customers. Channel partners are strategically located close to customer factories and maintain customer specific part stock at all times.

Field Service Engineers (FSEs) are our active service ambassadors in the field. FSEs follow customer's processes and match learning with Schaeffler expertise to identify areas of potential improvement.

FSEs are 'Always There' and support customers in resolving problems related to mounting, dismounting, alignment and lubrication. With their expertise in Condition Monitoring techniques, they support customers in predictive maintenance.

With increasing focus of our customers towards realising high level of Operating Equipment Efficiency (OEE), we believe that our Hands-on Service Approach and TCO philosophy have potential of becoming a game changer in the aftermarket business.



*Fit for Quality programme sets basis for Zero Defect Quality. MOVE philosophy emphasises on lean manufacturing and waste reduction.*



At FAG, 'WE' represents a strong collective energy. A power of collective wisdom and collaborative endeavours. A transformational force that stimulates enterprise, accelerates our constant pursuit of excellence, and empowers our people to realise their full potential. A passion that naturally comes out when individual aims and organisational goals are perfectly aligned.



“Participation in Management Pool Programme provided us with international exposure, expanded our inter-cultural sensitivities and on the whole expanded our perspectives. We strive to become better leaders and better human beings at the same time now.”

Chinmay Mishra and Peeyush Jain | *Participants of Talent Development Programme*

# Transformation through People

As we focus on preparing the organisation for changes that impact markets and processes, our commitment to the Group values, belief and talent motivation is steadfast. We lay equal emphasis on organisational values as well as human values.

For us, people are at the center of transformation, hence we involve them in every step. We consider transformation as an 'inside out' process and thus constantly identify opportunities of bringing employees together and involve them in setting the organisational direction and priorities. Our fundamental belief in immense power of human potential and teamwork is epitomised in our 'WE' approach.

The fact that attrition rate at FAG is significantly lower than the industry average is ample evidence of strong employee loyalty.

This year, we introduced many new programmes involving employees and their families.

## Udaan

We initiated a 'bottom up' evolution process in order to articulate the Company's vision.

Over 255 employees keenly participated in the process of defining 'WE vision'. The event was characterised by unbridled enthusiasm and uncompromising commitment shown by all our employees towards the Company's progress. This event's overwhelming success has indeed reaffirmed our faith in 'WE'. With power of 'WE' in our wings, we are now ready to take a long flight towards a promising future.

## Meet My Family

We consider FAG as one large family. Our 'Meet My Family' event witnessed a participation of 360 family members of FAG employees who were invited at FAG as guests for a day and were also conducted through the plant visit.

The Company also organised other family events like Talent Competition for school going children of the employees. In all, 200 children participated in drawing and essay writing categories of this competition. 'Nanhi Kali' was a programme dedicated to celebrate the birth of a girl child in the employee's family.



*Active engagement with family members of our employees is part of our 'WE' philosophy*



"We find Vadodara plant a good place to work. India is an interesting country and it is fun visiting places during holidays."

Michaela Kasch, Dong Kyu Lee, Jeong Soo Park



FAG fosters a culture that nurtures and empowers young talent. It gives them the freedom to think and act beyond convention. This in turn gives them a sense of responsibility and with that a sense of satisfaction.

This year we upgraded our canteen facilities at Vadodara plant and redesigned it based on the values of 'Anna Devo Bhava' and 'Karma Devo Bhava'. This concept of 'common community eating' reinforces the spirit of 'WE'.

## Engaging our Employees

We value communication with our employees and thus rely on many ways to share our values and ideas.

Town Hall Meetings continue to provide an excellent platform to share organisational priorities with our executives. This year, we also started Monthly Birthday Meetings with our employees as a forum where we listen to them.

## Investing in our People

At FAG, we constantly strive to create an environment where positive culture simultaneously powers development of the organisation and our employees.

Our HR approach is designed to attract the right people, engage them and develop them as a part of continuous process.

This year, our leadership talent development programme got further momentum. Executives and managers are currently undergoing development under Development Circles, Management Pool and Accelerated Learning programme which will prepare them to become role models and change ambassadors.

We regularly send our engineers and master craftsmen for extended on-the-job training at our lead factories in Europe. Besides learning new skills, this provides our employees with excellent international exposure to work and learn.

## Encouraging Diversity

In 2011, the number of expats in Vadodara increased remarkably.

At FAG, we emphasise diversity and inclusion. Slowly, we are trying to build a workplace where people of diverse gender, background and skills are welcome.

Successful transformations involve a rigorous journey including reflection, training and a lot of hard work from all the employees. We make genuine effort to provide a positive environment based on shared values, continuous learning and family feeling.

## Connecting with Communities

Caring for people and connecting with communities are values that we are committed to.

Our involvement with Lions Blind Girls School in Vadodara is one such example. We helped the school in acquiring hardware and software 'JAWS' that empowers blind girl students to explore the world of computers.

Another example is an endeavour of a group of our employees who found a novel way of spending their evening. They visited an Old Age Home in Vadodara wherein they interacted with the elderly, ate together and sang together. This not only brought smiles on their faces but also established a healthy relationship with the elderly generation.



*Forums like Town Hall Meeting and Birthday Meetings provide excellent platforms for two way communication.*





"Though it is 11 years since I retired, I still consider myself a part of FAG and feel very happy to see that the organisation is respecting its core values and is building on its foundation."

**Narendra K. Bhatt** | *Retired as Stores Manager from FAG and is now actively associated with social organisations*



While never losing focus on economic success, we, in a very small way, strive to contribute to communities. Sharing time and bringing smiles on the faces of old age people was one of the ways, our employees showed 'we care'.



## Company Information

### Board of Directors

<b>Chairman</b>	Avinash Gandhi
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<b>Managing Director</b>	Rajendra Anandpara
<b>Directors</b>	Wolfgang Dangel Bruno Krauss Frank Huber Bernhard Steinruecke Moreshwar Garde R. Sampath Kumar

<b>Alternate to Mr. Krauss</b>	Kamlesh Tapadar
<b>Alternate to Mr. Dangel</b>	Yezad Kapadia

<b>Chief Financial Officer</b>	Satish Patel
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<b>Company Secretary</b>	Raj Sarraf
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<b>Bankers</b>	Union Bank of India ICICI Bank Limited
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<b>Auditors</b>	B S R & Co.
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<b>Collaborators</b>	Schaeffler Group, Germany
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<b>Regd. Office</b>	Nariman Bhavan, 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021
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<b>Head Office &amp; Works</b>	Maneja, Vadodara - 390 013
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<b>Sales Offices</b>	Bangalore, Bhubaneswar, Chennai, Coimbatore, Jamshedpur, Kanpur, Kolkata, Mumbai, New Delhi, Pune, Secunderabad, Udaipur
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# DIRECTORS' REPORT

To the members of the Company

Your Directors are pleased to present the 49th Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2011.

## Financial Highlights

(Rs. in million)

Year	2011	2010
<b>TOTAL INCOME (Net)</b>	<b>13,393.9</b>	<b>10,653.5</b>
Gross Operating Profit (Earning before depreciation, interest, tax and prior period adjustments)	2,848.0	2,054.4
Depreciation / Amortisation	225.8	201.1
Interest (Net)	12.6	8.9
Prior period adjustments	–	25.6
<b>PROFIT BEFORE TAX</b>	<b>2,609.6</b>	<b>1,818.8</b>
Provision for Tax	849.9	603.8
<b>PROFIT AFTER TAX</b>	<b>1,759.7</b>	<b>1,215.0</b>
Balance brought forward	3,377.5	2,609.7
Profit available for appropriation	5,137.2	3,824.7
<b>APPROPRIATIONS</b>		
Proposed dividend	166.2	83.1
Income tax on dividend	27.0	14.1
Transfer to General Reserve	350.0	350.0
Balance carried to Balance Sheet	4,594.0	3,377.5
	<b>5,137.2</b>	<b>3,824.7</b>



## Financial and Operational Performance

Your Company's sales have been consistently growing at a rate better than the growth of the bearing industry in India. The Company has realised sales growth of 25% (2010: 30%) amidst growth in Automotive and Industrial Segments as well as exports.

## Dividend

Your Directors recommend for your approval dividend for the year ended December 31, 2011 at the rate of Rs. 10.0 (inclusive of a dividend of Rs. 5 per share in celebration of the Company's 50th year of incorporation) (2010: Rs. 5.0) per equity share amounting to Rs. 166.2 million (2010: Rs. 83.1 million).

The Company will pay the Income Tax on dividend as per the provisions of the Income Tax Act.

## DIRECTORS' REPORT

### Transfer to General Reserves

A sum of Rs. 350 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 read with Section 205C of the Companies Act, 1956 the unpaid and unclaimed dividend pertaining to the year ended on December 31, 2003 amounting to Rs. 314,389/- (including interest accrued thereon) was lying in the Company's separate unpaid dividend account and, remaining unclaimed for a period of seven years, was transferred to the Investor Education and Protection Fund.

### Management's Discussion and Analysis

A detailed review of operations, performance and future outlook of the Company is covered under a separate Annexure to this report as Management's Discussion & Analysis. (Annexure - I)

### Directors

At the forthcoming Annual General Meeting, Mr. Wolfgang Dangel and Mr. Frank Huber will retire by rotation and being eligible, offer themselves for re-appointment in terms of the Articles of Association of the Company. A brief résumé / particulars relating to them are given separately under the report on Corporate Governance. Your Directors recommend their re-appointment at the forthcoming Annual General Meeting.

Mr. R. Sampath Kumar has been rendering his services to the Company as an Alternate Director since over a decade. Considering his experience, expertise in the areas of corporate and general commercial laws & intellectual commercial property law and being qualified for appointment as Director, the Board in its meeting held on April 21, 2011, appointed him as an Additional Director. Pursuant to provisions of Section 260 of the Companies Act, 1956 read with the Articles of Association of the Company, he can hold office only up to the date of the forthcoming Annual General Meeting of the Company. We have received a notice under Section 257 of the Companies Act, 1956 from a member proposing his candidature for directorship and being eligible, your Directors recommend his re-appointment subject to approval of shareholders at the forthcoming Annual General Meeting of the Company.

During the year, the office of Alternate Directors was considered as vacated on arrival of their original directors and with the consent of original directors they were re-appointed as their alternate directors in the respective Board Meetings, the last of which was held on October 20, 2011.

As on December 31, 2011, Mr. Kamlesh Tapadar and Mr. Yezad Kapadia are the Alternate Directors of Mr. Bruno Krauss and Mr. Wolfgang Dangel respectively.

### Particulars of Employees

The statement under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of this report is given in Annexure - IV. However, pursuant to provisions of proviso (b) (iv) to Section 219 (1) of the Companies Act, 1956 all reports and accounts are being sent to all the shareholders of the Company except this Annexure - IV. Any shareholder interested in getting a copy of the said statement may write to the Company Secretary at Registered or Head Office of the Company.

### 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 as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges is annexed thereto. (Annexure - II)



## DIRECTORS' REPORT

### Auditors

The Statutory Auditors, BSR & Co., Chartered Accountants, who retire at the conclusion of 49th Annual General Meeting to be held on 20th day of April 2012 and being eligible, offer themselves for re-appointment. A certificate from them has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

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

Information required as per Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 has been given in the Annexure forming part of this Report. (Annexure - III)

### Environmental Protection and Occupational Health and Safety Policy

- 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
- We actively use global work safety management systems for continuous improvement
- We place special emphasis on ergonomic design
- We are committed to observing all legislation and specifications regarding work safety
- We take comprehensive measures to protect our employees against health hazards
- Comprehensive and effective emergency measures are in place at all locations to ensure that our employees and visitors receive the proper treatment in the event of injury

### Directors' Responsibility Statement

The Directors state that:

- i) In preparation of Annual Accounts all applicable accounting standards have been followed.
- ii) Accounting Policies as listed in the Schedule 15 to the financial statements have been selected and applied consistently. Reasonable and prudent judgments as well as estimates have been made so as to give a true and fair view of the state of affairs of the Company as on December 31, 2011 and of the profit of the Company for the accounting year ended on that day.
- iii) Proper and sufficient care for maintenance of adequate accounting records has been taken in accordance with the provisions of the Companies Act, 1956 so as to safeguard the assets of the Company and to detect and prevent fraud and other irregularities.
- iv) The annual accounts have been prepared on a going concern basis.

### Acknowledgements

Your Directors place on record their sincere appreciation for the wholehearted and continued support extended by the Shareholders, Schaeffler Group, Suppliers, Customers, Stockists & Importers, Banks and all Employees of the Company during the year under report.

For and on behalf of the Board

**Avinash Gandhi**  
Chairman

Mumbai: February 9, 2012

## MANAGEMENT DISCUSSION AND ANALYSIS

### Annexure to the Directors' Report

#### A Industry Structure and Developments

Rolling Bearings are required wherever there is motion. Bearings thus play critical role in industrial progress.

Indian Bearing market size is estimated at Rs. 85 billion. Imports (inclusive of duties) account for over 45% of this demand.

Production of the organised bearing industry, as represented under BRBMA (Ball and Roller Bearing Manufacturers' Association), was placed at Rs. 43 billion.

Indigenous bearing manufacturers are regularly expanding their production capacity and product range to meet growing bearing demand from diverse sectors in India.

Though Rolling Bearing is a precision engineering industry requiring high investments, India has a number of manufacturers in the unorganised sector, who mainly cater to requirements in replacement sector besides supplying to certain niche demands. At the same time, small scale companies are often the origin of counterfeit products and thus pose a severe threat - both to bearing companies and to consuming industries.

The automotive industry is the single largest consumer of bearing products. According to SIAM, in the calendar year 2011, sales of the overall Indian automobile sector increased by 14.3%, a much lower rate compared to 31% in 2010. Particularly affected were passenger car sales that have registered de-growth since July 2011 compared with the previous year.

Rising interest rates and fluctuating fuel prices coupled with the negative global economic sentiments have been the chief reasons for this slowdown. 2011 saw the highest retail petrol prices, a 34% increase since deregulation in 2010. Interest rates have been revised 13 times since March 2010.

The sentiments in two-wheeler and commercial vehicles were more enthusiastic.

Production of the organised bearing industry, as represented under BRBMA (Ball and Roller Bearing Manufacturers' Association), was placed at Rs. 43 billion

#### Production of Automotive Industry April - December 2011

Category	Number of Vehicles in thousands		% Change
	Year 2011	Year 2010	
Two - Three Wheelers	12,200	10,425	17%
Passenger Cars & MUVs	2,200	2,145	2.6%
Light Commercial Vehicles	391	293	34%
Medium and Heavy Vehicles	271	242	12%

Source: SIAM

Overall Index of Industrial Production in India (IIP) remained subdued during 2011. Industrial production grew only by 3.6% during the period April - December 2011 as compared to 8.3% growth during the same period last year.

#### Growth April - December 2011 over April - December 2010

Mining -2.7% | Manufacturing 3.9% | Electricity 9.4%

Production of capital goods - an indicator of investment climate in the country declined by 2.9% during the period April - December 2011 compared to the same period in previous year.



## MANAGEMENT DISCUSSION AND ANALYSIS

Production of the eight core industries, which include coal, cement, natural gas, petroleum refinery and fertilisers, recorded growth rate of 4.4 per cent in April - December 2011 as compared to 5.7 per cent growth during April - December 2010 suggesting deceleration in infrastructure investment.

### **B** Opportunities

It is believed that despite subdued sentiments regarding economic growth that are prevailing currently, long term outlook on Indian economy remains very positive.

Growing educated young population in India, expansion of middle class and trickle down effects of overall prosperity in rural areas, augurs well for economic development of India. It is expected that Indian economy will recover to grow at ~8% per year in the mid and the long term.

Rapid industrialisation and economic growth will drive an ever increasing demand for personal transportation. This will push demand of passenger cars. Growing prosperity in rural areas will positively influence demand of motorcycles as well as agricultural tractors in India.

A large number of public and private investment programs in core sectors like steel, cement, power etc. manifests Indian government's priority to infrastructure development. Renewable energy too shows a lot of potential in the medium and long term.

Overall prospects for industrial development thus remain very positive in India and we expect strong demand of bearing products to continue in the coming future.

In the short term however, demand growth may see some cyclic impact due to factors such as uncertain political scenario, global developments, increasing commodity prices etc.

### **C** Threats

Over the last few years, there have been regular increases in the prices of bearing steel which constitute a major portion of bearing costs. Continued increase in steel prices will put pressure on costs and margin of Indian bearing manufacturers.

Dumping of cheap bearings by Chinese manufacturers poses a serious threat to Indian bearing manufacturers. These products are often sold at prices lower than cost of raw material applicable to Indian bearing manufacturers. As the developed markets in US and Europe may see low growth in the coming years, bearing manufacturers in China and South-East Asian countries may use Indian market as dumping ground.

Cheap imports from these countries have shown an increasing trend in recent years.

Counterfeit bearing products probably account for 20% to 30% bearings sold in replacement market. These fake products of inferior quality represent a threat not only to organised bearing sector but also to gullible customers who buy such products. Your Company is taking active measures to protect FAG brand and has undertaken several raids on counterfeit dealers-in co-operation with competent agencies. The problem, though, remains widespread.

We counter the threat from cheap products by focusing even more on our technology. We are convinced that as the Indian industry aligns itself to strict emission norms and higher carbon accountability, the advanced technological products of the Schaeffler Group which reduce friction and enhance efficiency will attract robust demand. With our

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Advanced technological products of Schaeffler Group  
**reduce friction and enhance efficiency to attract robust demand**

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## MANAGEMENT DISCUSSION AND ANALYSIS

comprehensive knowhow of customer applications, we are in position to offer advanced solutions to our customers in Automotive and Industrial business. Towards its efforts to improve productivity and plant utilisation, Indian industries will increasingly prefer parts which have better quality and high reliability. Our Services Division supports MRO customers by providing not only quality products but also all the peripheral services and knowledge that help customers minimise plant breakdown, reduce cost and improve quality.

As a long term strategy FAG India, continues to focus on quality and technology innovations besides further developing our Application Engineering and R&D capabilities to strengthen our competitiveness.

Our long experience in Indian market together with strong support from global Schaeffler know how, provide your company with distinct competitive advantage.

### **D** Segment-wise Performance

The business of the Company falls under a primary single segment, i.e., 'Ball / Roller Bearings and related components' for the purpose of Accounting Standard (AS-17).

### **E** Outlook

We blend optimism with caution as we look ahead to the short term future. Easing of inflation and liquidity will set better climate for investment and consumption.

Demand for your Company's products in domestic market will thus grow in the coming year. At the same time there are concerns that rising fiscal deficit, rising commodity prices, fluctuating exchange rate in foreign currencies such as USD and Euro, may slow down the growth prospects.

In the export markets, we see steady growth. Your Company will continue to pursue its growth process through continued business development, R&D, productivity and technology innovation measures.

### **F** Risks and Concerns

Like any other business, your Company's business too has its inherent risks.

Despite the overall positive industrial outlook, there are concerns that rising commodity prices and fluctuating exchange rate between USD and INR will exert pressure on costs. At the same time increasing international competition will put pressure on the prices and margins.

Your Company has a comprehensive Risk Management System towards identification and evaluation of all potential business risks. Management has developed Risk Management Plan and reviews its implementation regularly.

Our focus on high quality of products, processes and people help us constantly upgrade our competitiveness in the market. Initiatives such as MOVE contribute towards continual improvement in all areas of our operations and help us respond to market dynamics effectively.

Your Company will continue to work on increasing localisation of production, high productivity and innovation. We will also lay strong emphasis on the training and development of people to maintain the organisation's competitive advantage.

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Our Services Division supports MRO customers by providing not only quality products but also all the peripheral services and knowledge that help customers minimise plant breakdown, reduce cost and improve quality

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## MANAGEMENT DISCUSSION AND ANALYSIS

### **G** Internal Control Systems and their Adequacy

The Company has an adequate Internal Audit System that promotes reliable financial reporting, safeguards assets, encourages adherence to fair management policies as well as to the 'Schaeffler Group' Guidelines and Specifications, as far as these are applicable and promote ethical conduct. The strong Internal Control Systems have been designed in a way that, they not only prevent fraud and misuse of the Company's resources but also protect shareholders' interest.

The Audit Committee of Board of Directors, on regular intervals and in co-ordination with Internal and Statutory Auditors, reviews the adequacy of Internal Control Systems within the Company.

The Company has an Independent Internal Audit Department. The internal audit procedures constantly monitor the controls and feedback is directly provided to the top management of the Company. All audit findings are reported in a structured manner with suggestions and recommendations from the audit department in consideration of 'Internal' as well as 'Schaeffler Group' guidelines and procedures. All transactions are authorised as per the Schaeffler Group's Approval and Signature Guidelines, which are recorded and reported in an organised manner.

Based upon the recommendations of the Audit Committee, an Annual Audit Plan (AAP) is prepared by the Internal Audit Department, which is reviewed periodically by the top management and the Audit Committee.

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The Company has recorded a **sales growth of 25%** with turnover of **Rs. 1300 crores** and a rise in profit before tax by **43%**

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### **H** Finance

The Company has recorded a sales growth of 25% (2010: 30%) with turnover of approximately Rs. 1,300 crores and a rise in profit before tax by 43%.

Judicious financial management, structured risk management policy and strong emphasis on working capital and cash management have been the pillars for core strategy that gives us a confidence to face future challenges successfully.

### **I** Human Resources and Industrial Relations

The Company continued its constant efforts towards strengthening of human resources by providing employees with better working atmosphere and by organising effective training programs at all levels to help employees realise their full potential and talent. As usual, the organisation supported various management and technical institutes by providing training to their students in our training centre.

At the end of this year, the employees' strength in number was 1,456.

In order to realise the Company's vision, goals, and targets through collective contributions, your Company has been striving for overall excellence in all areas of its operations. Time tested tools like CIP (Continuous Improvement Planning), FFQ (Fit for Quality), Kaizen, Quality Circles, TQM (Total Quality Management), TPM (Total Preventive

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At the end of this year, the employees' strength in number was **1,456**

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## MANAGEMENT DISCUSSION AND ANALYSIS

Maintenance) etc. are effectively deployed throughout the organisation to give thrust to the continuous improvement and growth. Dealing with sophisticated products and processes require trained and competent employees. Apart from technical and marketing excellence your Company also lays a great emphasis on development of human capital. Various human capital development programs like EDD (Employee Development Dialogues), competency mapping, employee's performance portfolio, superior conference, succession planning, nomination for development circles, etc. were introduced to support organisational growth through HR development.

Industrial relations during the year continued to be cordial and peaceful. The Directors place on record the excellent co-operation and contribution made by the employees at all levels of the organisation to the continued growth of the Company. The statement under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended and forming part of this report is given in Annexure - IV. However, pursuant to proviso (b) (IV) to Section 219 of the Companies Act, 1956 all reports and accounts are being sent to all the shareholders of the Company except Annexure - IV. Any shareholder interested in getting a copy of the said statement may write to the Company Secretary at the registered or head office of the Company.

Various tools have been formulated to monitor organisational progress and give thrust to the growth.

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Various human capital development programs like EDD (Employee Development Dialogues), competency mapping, employee's performance portfolio, superior conference, succession planning, nomination for development circles, etc. were introduced to support organisational growth through HR development

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### Corporate Social Responsibility

While continuously creating value for itself and its stakeholders, your Company keeps looking for opportunities to make contributions towards the betterment of the society. The Company has adopted an adequate Corporate Social Responsibility Policy, demonstrating socially, environmentally and ethically responsible behaviour in governance of its operations. A few highlights of the policy are covered hereunder:

#### 1) Care for Stakeholders

The Company - in all its decisions and actions - is committed to be proactively responsive towards safeguarding interests of all its stakeholders, including shareholders, employees, customers, suppliers and society at large.

#### 2) Ethical Functioning

The Ethics and Code of Conduct have been defined for all the employees including Board Members and Senior Management persons. A mechanism to monitor adherence of its requirements is in place. The Board Members and Senior Management persons give certificate on compliance, on an annual basis.

#### 3) Respect for Workers' Rights & Welfare

The management has been advocating and is committed to providing a workplace environment that is safe, hygienic and humane, and one which upholds the dignity of the employees.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 4) Respect for Environment

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 Company has adopted an effective policy towards 'Environment Protection and Occupational Health & Safety'. The core functions performed are as under:

- a) Effective Environment Management System with respect to air, water, waste and noise
- b) Expansion and upgradation of medical facility
- c) Certification ISO 14001 - Environment Management System
- d) Certification OHSAS 18001 - Occupational Health & Safety Management System for better and healthy work environment
- e) Certification for EMAS: Eco-Management and Auditing system as per EU regulations
- f) Audits are conducted on regular basis to improve and enhance the performance of Occupational Health and Safety management system
- g) Initiatives towards occupational safety and health programs to foster a safe work environment and also to protect co-workers, family members, employers, customers, suppliers, nearby communities and other members of the public who could be impacted by the workplace practices and environment

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The Company has adopted an effective policy towards 'Environment Protection and Occupational Health & Safety'

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### 5) Social and Inclusive Development

Care for the Employees	• Long Service Award
	• Education Awards & Certificate of Appreciation to employees' children
	• Financial gift given to employees for (a) Birth of girl child (b) Marriage of daughter under "Beti Bachao Scheme"
	• 'Meet my family' and "Sambandh through Sampark - Birthday Celebration"
Care for the Society	• Get-together with old age people at old age home
	• Donation of Computer equipped with latest hardware and special software suitable for blind children to Lions Blind Girls School, Baroda. Through this special speaking computer, blind children can be educated with basic computer courses
	• Donations were given for many institutions / associations rendering social services to variety of people

## MANAGEMENT DISCUSSION AND ANALYSIS

### **K** 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

Mumbai: February 9, 2012



# CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

## Annexure to the Directors' Report

Particulars under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

### **A** Energy Conservation Measures taken during the year 2011

- 1) Mapping of high consumption motors to reduce energy cost at various places in the plant like installation of 275 nos. of 85W Spiral CFL Lamps in place of 250W Mercury Vapor Lamp.
- 2) Replacement of 150W Halogen Street Lights by 28W LED Light Fittings - 115 nos. and 60 nos. of 28W Flood Lights fixed in place of conventional 80W FTL fitting in bearing store.
- 3) Installation and commissioning of 80TR VRF AC system for Gen - 3 Wheel Bearing Plant with R407 gas - Non CFC.
- 4) Installation and commissioning of 56 Tr VRF AC system for HVL 3 with R407 gas - Non CFC.
- 5) Installation and commissioning of Honilo Oil Centrifuge for Honing Oil Filtration in place of conventional Disc type filters in Hall 1 - 2 nos. and Hall 4 - 1 no.
- 6) Air cooled Screw Air Compressors installation and commissioning leading to stoppage of 1 no. 25 HP cooling water pump.
- 7) Replacement of Aluminum Cooling Fan by FRP Cooling Fan in Power House Cooling Tower - 1 no.
- 8) Installation and commissioning of Kishor make submersible pumps in emulsion coolant in place of extended shaft pumps - Trial Unit installed in September 2011 and remaining further units will be installed in February 2012.
- 9) As usual, the power factor has been maintained at 0.999 resulting in optimised utilisation of power.
- 10) The Capacity Development has been ensured by upgrading old machines and automated lines of assembly.
- 11) Inventory control is maximised to required levels.

### **B** Technology Adaptation, Absorption & Innovation

The year was mainly focused on high frequency drives optimisation and in process measuring systems to reduce rework and scrap. The quality concept is widely focused with 'Fit for Quality' drive and 'Zero Defect' approach.

MOVE for elimination of waste in all production and service function is adopted for a lean organisation.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

### **C** Foreign Exchange Earnings and Outgo

Import substitution and alternate sourcing is used as a measure of cost reduction, where possible.

(Rs. in million)

Particulars	Year 2011	Year 2010
<b>Earnings:</b>		
<b>Earning in foreign exchange</b>		
Service Income	0.5	1.7
FOB value of exports	1,567.5	996.8
Other	12.3	5.7
<b>Total foreign exchange earned</b>	<b>1,580.3</b>	<b>1,004.2</b>
<b>Outgo:</b>		
<b>Imports CIF value of</b> Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital goods and Intangible assets	4,988.1	3,326.5
<b>Expenditure in foreign currency</b> Interest on foreign currency loans, fees for use of technology, interest on foreign supplier's credit, professional fees and other expenses	468.3	318.9
<b>Dividend paid to Shareholders (Net of tax)</b>	42.6	38.4
<b>Total foreign exchange used</b>	<b>5,499.0</b>	<b>3,683.8</b>

For and on behalf of the Board

**Avinash Gandhi**  
Chairman

Mumbai: February 9, 2012

# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report

## 1 COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

The Company is committed to and continues to practice good Corporate Governance. The core principles of Corporate Governance:

- 1) Lay emphasis on integrity and accountability,
- 2) Incorporate several practices aimed at a high level of business ethics, effective supervision and
- 3) 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 enrich the value for stakeholders by achieving business excellence.

## 2 BOARD OF DIRECTORS

Your Board of Directors, closely monitors the performance of the Company and Management, approves the plans, reviews the strategy and determines the remuneration of the key managerial personnel based on performance. 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

- i) 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.
- ii) None of the directors on the Board is a member of more than 10 committees or a chairman of more than 5 committees (as stipulated in Clause 49 of the Listing Agreement), across all the Indian Public Companies, in which he is a director. The necessary disclosure regarding the committee position has been made by the directors.
- iii) The names and categories of the directors of the Board, their attendance at Board Meetings held during the year and the number of directorships and committee chairmanship / membership held by them in Indian Public Companies are given herein below. Directorships do not include alternate directorship, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. For reckoning the maximum number of chairmanships / memberships, only two committees viz. Audit Committee & Shareholders' / Investors' Grievance Committee of the Board are considered.

Name of Director(s)	DIN	Category	No. of Directorships	No. of Membership in Committees (Chairmanship)	Attendance in Board Meetings held in 2011 (Physical)	The last AGM Attended; 'Yes' or 'No'
			As on December 31, 2011			
Mr. Avinash Gandhi	00161107	NE & ID	12	6 (2)	4	Yes
Mr. Rajendra Anandpara	02461259	E & NID	1	1	4	Yes
Mr. Wolfgang Dangel	02589684	NE & NID	1	-	4	Yes
Mr. Frank Huber	00689169	NE & NID	1	-	3	Yes
Mr. Bruno Krauss	02946930	NE & NID	1	-	3	No
Mr. Bernhard Steinruecke	01122939	NE & ID	5	2	3	Yes
Mr. Moreshwar Garde	00689103	NE & ID	2	3(1)	4	Yes

Continued...

# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report



Continued...

Name of Director(s)	DIN	Category	No. of Directorships	No. of Membership in Committees (Chairmanship)	Attendance in Board Meetings held in 2011 (Physical)	The last AGM Attended; 'Yes' or 'No'
			As on December 31, 2011			
Mr. R. Sampath Kumar (as an Additional Director from April 21, 2011)	00495192	NE & NID	1	2	4 (including 2 as Invitee)	Yes
Mr. Kamlesh Tapadar (Alternate to Mr. Krauss)	00161186	NE & ID	1	–	4 (including 3 as Invitee)	Yes
Mr. Yezad Kapadia (Alternate to Mr. Dangel)	00161133	NE & ID	1	–	4 (as Invitee)	Yes

\* E & NID: Executive and Non-independent Director \* NE & NID: Non-Executive and Non-independent Director

\* NE & ID: Non-Executive and Independent Director

## iv) Executive Director:

Except, Mr. Rajendra Anandpara, Managing Director, the remaining seven directors are Non-executive Directors and out of them, three are 'Independent Directors'.

## v) 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 Independent Director'.
- Mr. Bernhard Steinruecke, "Director General of Indo-German Chamber of Commerce" is a 'Non-executive and Independent Director'.
- Mr. Moreshwar Garde, having vast experience in Insurance and Management related affairs, is a 'Non-executive and Independent Director'.

## vi) Non-Independent Directors:

Mr. Wolfgang Dangel, Mr. Bruno Krauss and Mr. Frank Huber are professionals, working at senior positions with the "Schaeffler Group" and are Non-Independent Directors'. Mr. R. Sampath Kumar is a lawyer rendering legal services to the "Schaeffler Group" and is a Non-Independent Director.

## vii) Alternate Directors:

Mr. Yezad Kapadia and Mr. Kamlesh Tapadar are appointed as alternate directors of Mr. Wolfgang Dangel and Mr. Bruno Krauss respectively.

The 'Board of Directors' is constituted with appropriate combination of Independent, Non-independent Directors, Executive and Non-executive Directors as per Clause 49 of the Listing Agreement with the Stock Exchanges.

# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report

## Profile of Directors seeking Appointment / Re-appointment in 49th Annual General Meeting (under Section 255 - 256 of the Companies Act, 1956)



<b>1</b>	<b>Name</b>	Mr. Frank Huber
	<b>Father's Name</b>	Mr. Karl Huber
	<b>Date of Birth</b>	December 9, 1955
	<b>DIN</b>	00689169
	<b>Email ID</b>	frank.huber@schaeffler.com
	<b>Qualification</b>	Attorney of Law (University of Wuerzburg, LAW) Member of Bamberg BAR Association
	<b>Profession / Occupation / Specialisation</b>	General Counsel Schaeffler Group (Industrial / Aerospace Division)
	<b>Association</b>	Since April 1997 with FAG Bearings India Limited
	<b>Category</b>	Non-Executive and Non-Independent
	<b>Directorships*</b>	FAG Bearings India Limited
	<b>Membership of Committees \$</b>	NIL



<b>2</b>	<b>Name</b>	Mr. Wolfgang Dangel
	<b>Father's Name</b>	Mr. Leo Kasimir Dangel
	<b>Date of Birth</b>	October 8, 1963
	<b>DIN</b>	02589684
	<b>Email ID</b>	dangewlf@schaeffler.com
	<b>Qualification</b>	Degree in Economics Graduated from University of Applied Sciences Germany College term in USA
	<b>Profession / Occupation / Specialisation</b>	Member of the Executive Board Schaeffler AG-President Automotive (Global)
	<b>Association</b>	Since February 2009 with FAG Bearings India Limited
	<b>Category</b>	Non-Executive and Non-Independent
	<b>Directorships*</b>	FAG Bearings India Limited
	<b>Membership of Committees \$</b>	NIL

\* Directorship means directorship in Indian Companies.

\$ Membership means membership in Committees of Directors of Indian Public Limited Companies.



# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report



## Profile of Directors seeking Appointment/ Re-appointment in 49th Annual General Meeting (under Sections 257, 260 of the Companies Act, 1956)



<b>3</b> Name	Mr. R. Sampath Kumar
Father's Name	Mr. S.S. Raman
Date of Birth	September 4, 1959
DIN	00495192
Email ID	law.sampath@gmail.com
Qualification	B. Com (Hons.), LL.B
Profession / Occupation / Specialisation	Attorney-at-Law
Association	Since April 1999
Additional Director with effect from	April 21, 2011
Category	Non-Executive & Non-Independent Director
Directorships*	FAG Bearings India Limited
Membership of Committees\$	Audit Committee and Investors' Grievance / Share Transfer Committee of FAG Bearings India Limited

\*Directorship means directorship in Indian Public Limited Companies.

\$ Membership means membership in Committees of Directors of Indian Public Limited Companies.

### **B** Non-Executive Directors' Compensation and Disclosures

Non-Executive Directors (except for those who are in whole-time employment of the Company or Schaeffler Technology AG & Co. KG, Germany) are paid sitting fees for attending Board / Committee Meetings and no commission / share of profit is paid to them. The details of compensation paid to them are disclosed under Point No. 4 of this report.

### **C** Board Meeting(s) during 2011

In all, four Board Meetings were held during 2011 on the following dates:

Board Meeting(s)	I	II	III	IV
Dates	February 17	April 21	July 22	October 20
Start Timing	11.15 AM	11.00 AM	11.30 AM	11.00 AM
Venue	Mumbai	Mumbai	New Delhi	Germany

The details of attendance of each of the directors at the Board Meeting(s) are given in the table at Point No. 2A. The Board has reviewed, periodically, the compliance by the Company with all the laws applicable to the Company.

### **D** Board Meetings Procedure

Annual Calendar of Board Meetings of the year is usually considered in the last meeting of the previous year.

# CORPORATE GOVERNANCE REPORT

## Annexure to the Directors' Report

The notice convening Board Meetings is being 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 and discussion material 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 with the Company. The following information is 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 of 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 & Company Secretary.
- 6) Show cause, demand, prosecution notices & penalty notices which are materially important.
- 7) Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problem.
- 8) Any material default by the Company in financial obligations 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 judgment 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 & 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 & the steps taken by the Management to limit the risks of adverse exchange rate movement, if material.
- 15) Non-compliance by the Company with any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

The information as specified in Annexure I to the existing Clause 49 of the Listing Agreements entered into with the Stock Exchanges is regularly made available to the Board whenever applicable.

### **E** Code of Conduct

The Company has laid down a Code of Conduct, under Clause 49 of the Listing Agreement, for all its Board Members and Senior Management Personnel for avoidance of conflicts of interest. The declarations with regard to compliance with the Code of Conduct have been received for the year 2011 from all the Board Members and Senior Management Personnel.

There were no material financial and commercial transactions, in which Board Members and 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.

## 3 AUDIT COMMITTEE

- A** The Company has an Audit Committee at the Board level, with the powers and roles in accordance with the requirements of the Listing Agreement and Companies Act, 1956. The Committee acts as link amongst the Management, Auditors and the Board of Directors. The existing Audit Committee consists of the following members:

Sr. No.	Name of Director(s)	Acting in the Committee as	Category under Clause 49 of the Listing Agreement
1	Mr. Avinash Gandhi	Chairman	Independent & Non-executive
2	Mr. Bernhard Steinruecke	Member	Independent & Non-executive
3	Mr. Moreshwar Garde	Member	Independent & Non-executive
4	Mr. R. Sampath Kumar	Member	Non-Independent & Non-executive

The Company Secretary is the Secretary of the Audit Committee.

- B** Details of the Audit Committee Meetings held during 2011 are as follows:

Audit Committee Meeting(s)	I	II	III	IV
Dates	February 17	April 21	July 22	October 20
Start Timing	10.15 AM	10.00 AM	10.30 AM	10.00 AM
Venue	Mumbai	Mumbai	New Delhi	Germany
Attended by Members	Mr. Gandhi Mr. Garde	Mr. Gandhi Mr. Garde Mr. Steinruecke	Mr. Gandhi Mr. Garde Mr. Steinruecke	Mr. Gandhi Mr. Garde Mr. Steinruecke Mr. R. Sampath Kumar

The meetings of the Audit Committee were also attended by the Managing Director, the Chief Financial Officer, the Company Secretary and the Internal Auditor of the Company. The Statutory Auditors attended four meetings.

All the members of Audit Committee are financially literate and majority of them have accounting and financial management expertise.

The Chairman of the Audit Committee, Mr. Avinash Gandhi, attended the 48th Annual General Meeting held on Thursday, April 21, 2011.

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

- 1) Financial performance, periodical results and management discussion on the financial trend,
- 2) Significant related party transactions,
- 3) Management letters issued / presentations made by the Statutory Auditors on internal control and system effectiveness,
- 4) Reports of the Internal Auditor relating to internal control and system effectiveness,
- 5) Recommendation of appointment / re-appointment of the Auditors.

### **C** Terms of Reference

The terms of reference of this Committee include matters specified in the Companies Act, 1956, Listing Agreement and those specified by the Board in writing. Besides having access to all required information within the Company, the Committee may obtain external professional advice, whenever required. The

# CORPORATE GOVERNANCE REPORT

## Annexure to the Directors' Report

Committee acts as a link amongst the Management, Auditors and Board of Directors. It is authorised to select and establish accounting policies, to review reports of Statutory and Internal Auditors, co-ordinate with them to discuss their observations, suggestions and to strengthen the Internal Control System within the Company. The Committee is empowered to review the remuneration payable to the Auditors.

### 4 MANAGERIAL REMUNERATION

#### Remuneration to the Executive Director (Managing Director)

As per the Employment Agreement dated August 1, 2009, Supplemental Employment Agreement dated March 11, 2010 and approval of the Board by way of Board Resolution passed, the details of remuneration paid / payable during the year to the Managing Director is as follows:

(Rs. in million)

Salary & Performance Bonus	Allowance & Perquisites	Company's contribution to funds	Total
6.2	2.3	0.8	9.3

Notes:

- 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.
- The Company did not have any Stock Option Scheme as at December 31, 2011.

The remuneration limit of Mr. Rajendra Anandpara for the period up to and including 2014 will be in accordance with the 'Employment Agreement' and 'Supplemental Agreement' and the annual increment for the year 2012 will be decided by the Board of the Company.

#### Remuneration to the Non-Executive Directors

Directors (except for those who are in whole-time employment of the Company or Schaeffler Technology AG & Co. KG, Germany) are paid sitting fees for attending Board / Committee Meetings and no commission / share of profit is paid to them. The details of sitting fees paid to them for attending Board / Committee Meetings during the year are as follows:

Name of the Directors	Number of Meetings Attended				Amount (Rs.)	
	Board		Audit Committee	Investor's Grievance/ Share Transfer Committee	Sitting Fee	Ex-Gratia
	As Director	As Invitee				
	@ INR 20000/ meeting	@ INR 20000/ meeting	@ INR 10000/ meeting	@ INR 10000/ meeting		
Mr. Avinash Gandhi	4	–	4	–	120,000	–
Mr. Bernhard Steinruecke	3	–	3	–	90,000	–
Mr. Moreshwar Garde	4	–	4	3	1,50,000	–
Mr. R. Sampath Kumar <sup>#</sup>	2	2	1	2	70,000	40,000
Mr. Yezad Kapadia <sup>@</sup>	–	4	–	–	–	80,000
Mr. Kamlesh Tapadar <sup>@</sup>	1	3	–	–	20,000	60,000
<b>Total</b>					<b>4,50,000</b>	<b>180,000</b>

<sup>#</sup> Mr. R. Sampath Kumar has attended first two Board meetings as an alternate director to Mr. Huber and subsequent two Board meetings as an additional director.

<sup>@</sup> Alternate Directors were paid ex-gratia for attending Board Meetings as Invitees and sitting fee for attending the Board Meetings as directors.

All the directors have been reimbursed expenses incurred by them in discharge of their duties. The payments made to a director in his individual capacity or to his 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 its holding company, its subsidiaries and associates which may affect their independence. The Company has not entered into any materially significant transaction with its promoters, directors or their relatives, or its management, or subsidiaries 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 2011 are as follows;

- 1) Professional consultation fees (excluding Service Tax and reimbursement of expenses) paid / payable to Mr. Avinash Gandhi is Rs. 10,25,000/-.
- 2) Rs. 96,000/- was paid to relatives of Mr. Avinash Gandhi towards rent.
- 3) Professional consultation fees paid / payable to Mr. Bernhard Steinruecke is Rs. 3,00,000/-
- 4) Professional consultation fees paid / payable to Mr. Moreshwar Garde is Rs. 3,00,000/-

## Directors' Shareholding in the Company

Except for alternate director Mr. Kamlesh Tapadar, who holds 75 Shares, no other directors holds shares of the Company as on December 31, 2011.

## 5 INVESTORS' GRIEVANCE / SHARE TRANSFER COMMITTEE

The Committee comprised one Executive Director and two Non-executive directors as on December 31, 2011. Mr. Moreshwar Garde, an Independent and Non-executive Director, is the Chairman of the Committee. The Committee meets to deal with matters relating to redressal of complaints from shareholders relating to transfers, non-receipt of Balance Sheet, non-receipt of dividends declared etc.

Details of the Investors' Grievance / Share Transfer Committee Meetings held during 2011 are as follows;

Meeting(s)	I	II	III
Dates	February 17	July 22	October 20
Start Timing	12.45 PM	01.00 PM	12.45 PM
Venue	Mumbai	New Delhi	Germany
Attended by Members	Mr. Garde Mr. Anandpara	Mr. Garde Mr. Anandpara Mr. R. Sampath Kumar	Mr. Garde Mr. Anandpara Mr. R. Sampath Kumar

The Company Secretary is the Secretary of this Committee and also appointed as Compliance Officer of the Company.

During 2011, twelve (12) complaints were received from SEBI, shareholders / investors, which were attended to and resolved satisfactorily during the year leaving no complaint pending as on December 31, 2011.

## 6 GENERAL BODY MEETINGS

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

Particulars	Meetings		
	48th AGM	47th AGM	46th AGM
Date	April 21, 2011	April 22, 2010	April 24, 2009
Start Timing	3.00 PM	3.00 PM	3.00 PM
Venue	Kamalnayan Bajaj Hall, Gr. Floor, Bajaj Bhawan, 226 Nariman Point, Mumbai - 400 021		

Continued...

# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report

...Continued

Particulars	Meetings		
	48th AGM	47th AGM	46th AGM
<b>Resolutions Passed</b>			
<b>Ordinary Business:</b>			
1) Adoption of Accounts	As at December 31, 2010	As at December 31, 2009	As at December 31, 2008
2) Declaration of Dividend	50%	45%	40%
3) Re-appointment of Rotational Directors	Mr. Avinash Gandhi	Mr. Frank Huber	Late Dr. V. Sagar
4) under Section 256	Mr. Moreshwar Garde	Mr. Bernhard Steinruecke	Mr. D. Heinrich
5) Appointment of Auditors & to fix their remuneration	B S R & Co. Chartered Accountants, Mumbai	Mohinder Puri & Co., Chartered Accountants, New Delhi	
<b>Special Businesses</b>			
Appointment of Directors u/s 257	–	Mr. B. Krauss Mr. R. Anandpara	Mr. M. Garde Mr. W. Dangel
Appointment of Managing Director under Section 198, 269, 309, 311 and Schedule XIII	–	Mr. R. Anandpara	–

- No special resolution was passed in any of the last three 'Annual General Meetings'.
- No 'Extraordinary General Meeting' was held during the last three years.
- No postal ballot was conducted during the year.
- At the forthcoming 'Annual General Meeting' there is no item on the agenda requiring postal ballot.

## 7 DISCLOSURES

- The Board has received disclosures from Key Managerial Personnel relating to material, financial and commercial transaction, 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 -18 are disclosed under Notes to Accounts in the 49th Annual Report.
- There have been no instances of any penalties or strictures imposed on the Company on any matter relating to the capital market, either by Stock Exchange, SEBI or any statutory authority during the last three years.
- The Company has adopted and complied with mandatory requirements as per Clause 49 of the Listing Agreement. Some of the non-mandatory requirements have also been complied with as described in Annexure 1D.
- The requisite certificates from CEO and CFO were placed before the Board Meetings for consideration.
- The Company has adequate risk assessment and minimisation system in place. The risk management procedure is reviewed in the Board Meetings periodically.

## Non-mandatory Requirements of Clause 49 (Annexure 1D)

### **A The Board**

Mr. Avinash Gandhi, being Non-executive Chairman, is entitled for re-imbursement of expenses incurred in performance of his duties.

### **B Shareholder's Rights**

A letter from the Chairman, on half yearly financial performance of the Company including summary of the significant events is circulated to all shareholders.

### **C Audit Qualification**

There has been no Audit Qualification in the Audit Report by the Auditor in the year 2011.

### **D Training of Board Members**

The Company has well structured policy on the learning and development programme for each level of employees. During the year the Managing Director has attended various trainings including ScALe, MOVE, Kaizen etc.

### **E Whistle Blower Policy**

While the Company has not implemented a formal Whistle Blower Policy, employees are not disqualified from reporting to the Management on any matter concerning unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethical policy.

## **8 MEANS OF COMMUNICATION**

### **Quarterly Results**

Pursuant to provisions of the Listing Agreements, periodical financial results of the Company are being published in one widely circulated English newspaper (The Economic Times) and a Vernacular Marathi newspaper (Maharashtra Times). 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.fag.co.in](http://www.fag.co.in)). Along with the financial results, other information as per the listing guidelines such as Annual Report and Shareholding Pattern, are being uploaded on website [www.corpfiling.co.in](http://www.corpfiling.co.in) under "Corporate Filing and Dissemination System (CFDS)".

The Company generally does not make any presentation to analysts or to institutional investors. A letter from the Chairman, along with half-yearly results, is sent individually to all the shareholders.

## **9 GENERAL SHAREHOLDER INFORMATION**

### **i) 49th Annual General Meeting is scheduled to be held**

**On:** Friday, the 20th day of April, 2012

**At:** 3.00 P.M.

**At:** KAMALNAYAN BAJAJ HALL,

Ground Floor, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai-400 021

# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report

## ii) Financial Year

A twelve month period starting from January 1, 2012 to December 31, 2012.

Financial Reporting for:

- (a) 1st quarter ending March 31, 2012 - by the end April 2012,
- (b) 2nd quarter & half year ending June 30, 2012 - by the end July 2012,
- (c) 3rd quarter ending September 30, 2012 - by the end October 2012,
- (d) 4th quarter and year ending December 31, 2012 - by the end January / February 2013.

## iii) Date of Book Closure

April 2, 2012 to April 6, 2012 (Both days inclusive)

## iv) Dividend

The Dividend for the year 2011 may be declared under agenda item no. 2 of forthcoming 49th Annual General Meeting scheduled on April 20, 2012 and shall be paid within the time limit prescribed in the Companies Act, 1956.

## v) Audit in 2011

Sr. No.	Audits	Auditors in 2011	Audit Firm
1	Statutory Audit	Statutory Auditors	B S R & Co. Chartered Accountants, Mumbai
2	Cost Audit	Cost Auditors	Y. S. Thakar and Associates Cost Accountants, Vadodara
3	Tax Audit	Auditors for Financial Year Audit and Tax Audit	K. C. Mehta & Co. Chartered Accountants, Vadodara
4	Reconciliation of Share Capital Audit	Secretarial Auditors	Samdani Kabra & Associates Company Secretaries, Vadodara

## vi) Listing of Equity Shares on Stock Exchanges

The Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The requisite listing fees have been paid to the Stock Exchanges upto March 2012.

## vii) Custodial Fee to Depositories

The Company has paid custodial fees for the year 2011 - 2012 to the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

## viii) Stock Code

Bombay Stock Exchange Limited (BSE), Mumbai	505790
National Stock Exchange of India Limited (NSE), Mumbai	FAGBEARING
Demat International Security Identification Number (ISIN) in NSDL and CDSL for Equity Shares	INE513A01014



# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report



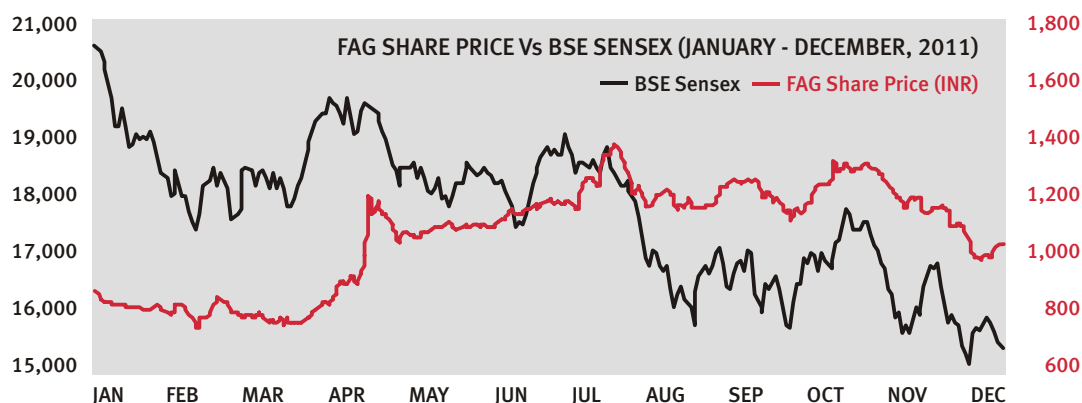
## ix) Market Price Data

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

For the Year 2011	Equity Shares			
	Bombay Stock Exchange Ltd. (BSE)		National Stock Exchange of India Ltd. (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
January	899.00	802.00	917.00	786.00
February	988.00	752.00	880.00	760.05
March	840.00	763.15	845.00	760.00
April	1,245.95	831.60	1,248.00	830.05
May	1,168.75	1,015.30	1,199.00	1,030.00
June	1,210.00	1,040.00	1,200.00	1,082.20
July	1,434.80	1,156.00	1,432.90	1,130.05
August	1,331.00	1,137.00	1,348.90	1,133.30
September	1,278.00	1,130.05	1,285.00	1,153.55
October	1,342.95	1,100.00	1,350.00	1,125.50
November	1,334.00	1,145.10	1,382.00	1,112.35
December	1,200.00	978.00	1,193.00	960.10

## x) Stock Performance

The performance of the Company's shares relative to the BSE Sensitive Index for the year 2011 is given below:



## xi) Registrar and Share Transfer Agent [RTA]

The details are as under;

**Name:** LinkIntime India Private Limited

**Address:** B-102 & 103, Shangrila Complex, Opp. HDFC Bank, Nr. Radhakrishna Char Rasta, Akota, VADODARA (Guj) - 390 020 INDIA

**Phone:** +91-265-2356573, 2356794

**E-mail:** vadodara@linkintime.co.in

**Fax:** +91-265-2356791

**Website:** 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.

# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report

## 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 a period of thirty days from the date of receipt of document, provided all the documents are valid and complete in all respects. 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 this authority to the Managing Director up to 10,000 shares per transfer and to issue duplicate shares certificates in lieu of originals up to 1,000 shares.

The Company confirms that there is no share transfer pending as on December 31, 2011 for more than thirty 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 the Companies Act, 1956, the Company is committed to make timely payment of dividend. Pursuant to provisions of Section 205A of the Companies Act, 1956 dividend amount that remains unpaid or unclaimed for the financial year ended on December 31, 2004 is due to be transferred to "Investor Education and Protection Fund" (IEPF) a fund constituted by the Central Government under Section 205C of the Companies Act, 1956 on June 3, 2012.

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 along with interest earned thereon shall be transferred to the IEPF.

### Details of unclaimed dividend

Year ended on	Date of declaration of dividend	Amount due for transfer to IEPF on	Amount lying unpaid (Rs.) as on 31.12.2011
31.12.2004	28.04.2005	03.06.2012	354,281.00
31.12.2005	20.04.2006	26.05.2013	337,980.50
31.12.2006	26.04.2007	01.06.2014	404,944.00
31.12.2007	17.04.2008	25.05.2015	389,648.00
31.12.2008	24.04.2009	31.05.2016	464,653.00
31.12.2009	22.04.2010	29.05.2017	487,723.00
31.12.2010	21.04.2011	28.05.2018	550,015.00
Total amount lying unpaid as on December 31, 2011			2,989,244.50

## xiv) Distribution of Shareholding

(As on December 31, 2011)

Analysis of Shareholding	2011		2010	
	Number of Shareholders	Number of Shares held	Number of Shareholders	Number of Shares held
1 - 50	4,221	86,641	3,832	85,374
51 - 100	1,427	122,387	1,442	124,879
101 - 250	1,202	206,901	1,212	208,741
251 - 500	619	233,869	645	241,783

Continued...

# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report



...Continued

	2011		2010	
Analysis of Shareholding	Number of Shareholders	Number of Shares held	Number of Shareholders	Number of Shares held
501 - 1000	365	274,250	386	287,655
1001 - 5000	275	603,710	275	595,652
5001 and above	96	15,089,512	84	15,073,186
<b>Total</b>	<b>8,205</b>	<b>16,617,270</b>	<b>7,876</b>	<b>16,617,270</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.

## Categorywise summary of Shareholding

Sr. No.	Category	No. of Shareholders	No. of Shares	%
1	Foreign Company (FAG Kugelfischer GmbH)	1	8,529,183	51.33
2	Foreign Institutional Investors	26	2,287,611	13.77
3	Public	7,658	1,908,035	11.48
4	Mutual Fund	31	2,797,011	16.83
5	Other Bodies Corporate	265	835,414	5.03
6	Insurance Companies	3	219,352	1.32
7	Trusts	2	2,910	0.02
8	Clearing Members (Brokers / Others)	72	5,843	0.04
9	Non-Resident Indians (Repatriable)	89	18,235	0.11
10	Non-Resident Indians (Non-repatriable)	39	6,133	0.04
11	Foreign Financial Institutions	7	3,360	0.02
12	Unit Trust of India	2	1,000	0.00
13	Nationalised Banks	4	915	0.00
14	Non-Nationalised Banks	6	2,268	0.01
	<b>Total</b>	<b>8,205</b>	<b>16,617,270</b>	<b>100.00</b>

## xv) Top Ten Shareholders with their Shareholdings

(As on December 31, 2011)

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	ACACIA Partners, LP	FII	826,188	4.97
3	Sundaram Mutual Fund	MF	703,353	4.23
4	SBI MF Magnum Sector	MF	573,308	3.45
5	Acacia Institutional Partners, LP	FII	559,253	3.37
6	HDFC Trustee Company Ltd.	MF	300,000	1.81

Continued...

# CORPORATE GOVERNANCE REPORT

Annexure to the Directors' Report

...Continued

Sr. No.	Name of Shareholder	Category*	Number of Shares held	% of total paid up Share Capital
7	ICICI Prudential Life Insurance Co.	MF	293,011	1.76
8	Comgest Growth PLC	FII	271,075	1.63
9	Shree Capital Services Ltd.	Body Corporate	276,367	1.66
10	IDFC Premier Equity Fund	MF	250,000	1.50
	<b>Total</b>		<b>12,581,738</b>	<b>75.71</b>

\*MF-Mutual Fund, FI - Financial Institutions, FII- Foreign Institutional Investor

## xvi) Dematerialisation of Shares and Liquidity

98.31% 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, 2011.

	NSDL	CDSL	Physical	Total
Shares (nos.)	15,997,458	338,371	281,441	16,617,270
Shares (%)	96.27	2.04	1.69	100

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

## xviii) Plant Location

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

## xix) 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.

In addition to the Registrar's details given in (xi) above, shareholders may correspond at the following addresses:

### Registered Office:

Nariman Bhavan, 8th Floor, 227, Backbay Reclamation, Nariman Point, Mumbai - 400 021  
Phone: +91-22-6681 4444 to 6681 4499 Fax: +91-22-2202 7022

### Head Office & Works:

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

## xx) Information through Internet / Company's Website

The information pertaining to financial performance, shareholding pattern, compliance with Corporate Governance and announcements are being uploaded and can be viewed by the general public on [www.corpfiling.co.in](http://www.corpfiling.co.in). Apart from this, the Company's website [www.fag.co.in](http://www.fag.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.

**xxi) 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 1st October, 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, 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.

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.

**xxii) PAN requirement for Share Transfer / Dematerialisation transactions**

The Securities and Exchange Board of India (SEBI) vide circular ref. no. MRD/DoP/Cir-05/2007 dated April 27, 2007 made PAN (Permanent Account Number) mandatory for all securities market transactions. Thereafter, vide Circular no. MRD/DoP/Cir-05/2009 dated May 20, 2009, SEBI has clarified that for securities market transactions and off-market / private transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company / RTAs for registration of such transfer of shares.

**xxiii) The Management Discussion and Analysis Report for the year ended on December 31, 2011 forms part of the Annual Report.**

For and on behalf of the Board

**Avinash Gandhi**  
Chairman

Mumbai: February 09, 2012

To,  
The Members of FAG Bearings India Limited

**Re.: Declaration by CEO under Clause 49(1) (D) (ii) of the Listing Agreement**

I, RAJENDRA ANANDPARA, 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, 2011.

Mumbai: February 09, 2012

**Rajendra Anandpara**  
Managing Director



## CERTIFICATE

### 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, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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 Agreement.

We state that in respect of investor grievances received during the year ended December 31, 2011, no investor grievances are pending against the Company, as per the records maintained by the Company and presented to the Investors' / Shareholders' Grievance 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  
February 9, 2012

For **Samdani Kabra & Associates**

Company Secretaries  
**Suresh Kumar Kabra**  
Partner  
ACS/CP No. 9711/9927

To,  
**The Board of Directors**

This is to certify that,

- a) We have reviewed Financial Results for the year ended December 31, 2011 and that to the best of our knowledge and belief:
  - i) These results do not contain any materially untrue statement or 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, 2011.
  - ii) Significant changes in accounting policies during the year ended December 31, 2011.
  - 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

February 9, 2012

For **FAG Bearings India Limited**

**Rajendra Anandpara**  
Managing Director

**Satish Patel**  
Chief Financial Officer

**AUDITORS' REPORT**

To the Members of FAG Bearings India Limited

We have audited the attached Balance Sheet of FAG Bearings India Limited ('the Company') as at December 31, 2011 and the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- A** we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes 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 Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- D** in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
- E** on the basis of written representations received from the directors of the Company as at December 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2011 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Act; and
- F** in our opinion, and to the best of our information and according to the explanations given to us, the said accounts 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:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2011;
  - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Mumbai: February 9, 2012

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

**Vijay Mathur**  
Partner  
Membership No. 046476



# ANNEXURE TO THE AUDITORS' REPORT

December 31, 2011

The logo for FAG Bearings India Limited, consisting of the letters 'FAG' in a bold, red, sans-serif font.

With reference to the Annexure referred to in our report of the even date, we report that:

- I (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) The Company has a programme of physical verification of its fixed assets by which all fixed assets are verified once in every 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, all assets were physically verified by the management in the previous year and no material discrepancies were noticed on such verification.  
(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- II (a) The inventory, except goods-in-transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with third parties at the year end, written confirmations have been obtained.  
(b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- III According to the information and explanations given to us, we are of the opinion that there are no Companies, firms or other parties covered in the register required under Section 301 of the Act. Accordingly, paragraph 4(iii) of the Order is not applicable.
- IV In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- V In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
- VI In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Act, and the rules framed thereunder with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- VII In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- VIII We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 209(1)(d) of the Act in respect of bearings and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- IX a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty, Value added tax, Investor Education and Protection Fund and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

# ANNEXURE TO THE AUDITORS' REPORT

December 31, 2011

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, investor education and protection fund and other material statutory dues were in arrears as at December 31, 2011 for a period of more than six months from the date they became payable.

- b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, wealth tax, excise duty and customs duty, which have not been deposited with the appropriate authorities on account of any dispute other than those mentioned below:

Name of the statute	Nature of the Dues	Amount (Rs. in million)	Period	Forum where the dispute is pending
State and Central Sales Tax Act	Duty interest and penalty	2.4	2002	Sales tax appellate tribunal
		20.3	2004-05	Joint commissioner Appeals
		0.1	2005-06	
		8.3	2006-07	
Central Excise Act, 1944	Duty interest and penalty	0.1	2003-04	Dy. Commissioner Appeals
		0.7	2007-08	Central Excise & Service Tax Appellate Tribunal
		11.3	2003-04, 2004-05, 2006-07, 2007-08, 2008-09, 2009-10	Commissioner Appeals
The Income Tax Act, 1961	Tax, interest and penalty	1.8	2004-05	Assistant Commissioner Appeals
		27.7	2006-07	Income Tax Appellate Tribunal
		39.3	2007-08	Commissioner Appeals

- X** The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- XI** In our opinion and according to the information and explanations given to us, the Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- XII** The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII** In our opinion, and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.

## ANNEXURE TO THE AUDITORS' REPORT

December 31, 2011

The logo for FAG Bearings India Limited, featuring the letters 'FAG' in a bold, red, sans-serif font. In the top right corner of the page, there is a faint, stylized circular graphic representing a bearing cross-section.

- XIV** According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- XV** According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- XVI** The Company did not have any term loans outstanding during the year.
- XVII** According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- XVIII** As stated in paragraph (iii) above, there are no companies / firms / parties covered in the register required to be maintained under Section 301 of the Act.
- XIX** The Company did not have any outstanding debentures during the year.
- XX** The Company has not raised any money by public issues during the year.
- XXI** According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

Mumbai: February 9, 2012

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

**Vijay Mathur**  
Partner  
Membership No. 046476

# BALANCE SHEET

As at December 31, 2011

		(Rs. in million)	
	SCHEDULE	31.12.2011	31.12.2010
<b>(I) SOURCES OF FUNDS</b>			
(1) Shareholders' funds:			
(a) Capital	1	166.2	166.2
(b) Reserves and surplus	2	7,134.2	5,568.4
		7,300.4	5,734.6
(2) Deferred tax liabilities (Net) [Note 18]		31.7	29.3
<b>Total</b>		<b>7,332.1</b>	<b>5,763.9</b>
<b>(II) APPLICATION OF FUNDS</b>			
(1) Fixed assets:	3		
(a) Gross block		4,752.3	4,189.9
(b) Less: Depreciation		2,969.1	2,779.9
(c) Net block		1,783.2	1,410.0
(d) Capital work-in-progress		568.4	61.7
(e) Capital advances		501.6	24.3
		2,853.2	1,496.0
(2) Investments	4	–	3.2
(3) Current assets, loans and advances:			
(a) Inventories	5	1,622.5	1,270.2
(b) Sundry debtors	6	2,143.0	1,314.5
(c) Cash and bank balances	7	2,334.2	2,880.1
(d) Other current assets	8	94.2	53.2
(e) Loans and advances	9	927.9	758.4
		7,121.8	6,276.4
Less: Current liabilities and provisions:			
(a) Current liabilities	10	2,279.5	1,788.8
(b) Provisions	11	363.4	222.9
		2,642.9	2,011.7
<b>Net current assets</b>		<b>4,478.9</b>	<b>4,264.7</b>
<b>Total</b>		<b>7,332.1</b>	<b>5,763.9</b>
Statement of significant accounting policies	15		
Notes to the accounts	16		

As per our report attached

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

**Vijay Mathur**  
Partner  
Membership No. 046476  
Mumbai: February 9, 2012

**Avinash Gandhi**  
Chairman

**Satish Patel**  
Chief Financial Officer

**Rajendra Anandpara**  
Managing Director

**Raj Sarraf**  
Company Secretary

Mumbai: February 9, 2012

# PROFIT AND LOSS ACCOUNT

for the year ended December 31, 2011



	SCHEDULE	Year 2011	Year 2010
(Rs. in million)			
<b>INCOME</b>			
Sales turnover (Gross)		13,895.2	11,127.2
Less: Excise duty		901.9	726.4
Sales turnover (Net)		12,993.3	10,400.8
Other income	12	400.7	252.7
		13,394.0	10,653.5
<b>EXPENDITURE</b>			
Manufacturing and other expenses	13	10,545.9	8,599.1
Depreciation / Amortisation [Note 2 (a)(ii)]	3	225.9	201.1
Interest	14	12.6	8.9
		10,784.4	8,809.1
<b>PROFIT FOR THE YEAR BEFORE PRIOR PERIOD ADJUSTMENTS AND TAX</b>		<b>2,609.6</b>	<b>1,844.4</b>
Prior period adjustments [Note 26]		–	(25.6)
<b>PROFIT BEFORE TAX</b>		<b>2,609.6</b>	<b>1,818.8</b>
Less: Provision for tax			
(a) Current tax		847.5	618.0
(b) Deferred tax		2.4	(15.8)
Tax adjustments for earlier years (Net)		–	1.6
		849.9	603.8
<b>PROFIT AFTER TAX</b>		<b>1,759.7</b>	<b>1,215.0</b>
Balance brought forward from earlier year		3,377.5	2,609.7
Available for appropriation		5,137.2	3,824.7
<b>APPROPRIATIONS:</b>			
Proposed dividend		166.2	83.1
Income tax on dividend		27.0	14.1
Transferred to general reserve		350.0	350.0
Balance carried to Balance Sheet		4,594.0	3,377.5
Earnings per equity share of nominal value of Rs.10 each: Basic and diluted [Note 21]		105.88	73.11
Statement of significant accounting policies	15		
Notes to the accounts	16		

As per our report attached  
For **B S R & Co.**  
Chartered Accountants  
Firm's Reg. No. 101248W

**Vijay Mathur**  
Partner  
Membership No. 046476  
Mumbai: February 9, 2012

**Avinash Gandhi**  
Chairman

**Satish Patel**  
Chief Financial Officer

**Rajendra Anandpara**  
Managing Director

**Raj Sarraf**  
Company Secretary

Mumbai: February 9, 2012

# CASH FLOW STATEMENT

for the year ended December 31, 2011

(Rs. in million)

PARTICULARS	Year 2011		Year 2010	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit for the year before tax		2,609.6		1,818.8
Adjustment for non-cash item / items required to be disclosed separately:				
Depreciation / Amortisation	225.9		201.1	
Interest expenses	12.6		8.9	
Unrealised exchange loss / (gain) (Net)	(101.4)		49.7	
Interest income including interest on investment	(268.0)		(166.7)	
Loss / (Profit) on Fixed Assets sold (Net)	(2.2)		(2.1)	
Loss / (Profit) on sale of investment	0.2		–	
Provision for doubtful debts / advances	(7.7)		1.8	
Bad debts written off	–		0.2	
Provision for Gratuity / leave encashment	49.3		7.3	
Provision for warranty	3.6		(1.0)	
Provision no longer required written back	(15.2)		(5.0)	
TDS on other Income	(0.6)		–	
Prior period adjustments	–		25.6	
		(103.5)		119.8
Operating profit before changes in working capital		2,506.1		1,938.6
Adjustment for changes in Working Capital and Provisions:				
Trade and other receivables	(918.1)		(236.3)	
Inventories	(352.3)		(262.9)	
Trade and other payables	472.7		494.4	
		(797.7)		(4.8)
Cash generated from operations		1,708.4		1,933.8
Income tax paid (Net of refunds)		(900.5)		(588.1)
Prior period adjustments		–		(25.6)
<b>A Net cash from operating activities</b>		<b>807.9</b>		<b>1,320.1</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Fixed Assets (Note 1):				
Purchase	(1,474.3)		(197.2)	
Sale	3.1		3.4	
Sale of long term investment	3.0		–	
Interest received	224.1		119.5	
<b>B Net cash used in investing activities</b>		<b>(1,244.1)</b>		<b>(74.3)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Interest paid	(12.6)		(9.0)	
Dividend paid	(83.0)		(74.7)	
Tax on dividend paid	(14.1)		(12.7)	
<b>C Net cash used in financing activities</b>		<b>(109.7)</b>		<b>(96.4)</b>
<b>Net change in cash and cash equivalents (A+B+C)</b>		<b>(545.9)</b>		<b>1,149.4</b>
Cash or cash equivalents (Opening balance) (Note 2)		2,880.1		1,730.7
Cash or cash equivalents (Closing balance) (Note 2)		2,334.2		2,880.1
		<b>(545.9)</b>		<b>1,149.4</b>

# CASH FLOW STATEMENT

for the year ended December 31, 2011



## Notes:

- 1 Purchase of fixed assets includes payments for items in capital work-in-progress and advances of capital nature.
- 2 Cash and Cash equivalents comprise of:

	(Rs. in million)	
	31.12.2011	31.12.2010
Cash on hand	0.8	0.4
Cheques on hand	47.5	46.6
With scheduled banks on:		
Current accounts	475.9	423.1
Deposit accounts	1,810.0	2,410.0
	2,334.2	2,880.1

*As per our report attached*

For **B S R & Co.**

Chartered Accountants

Firm's Reg. No. 101248W

**Vijay Mathur**

Partner

Membership No. 046476

Mumbai: February 9, 2012

**Avinash Gandhi**

Chairman

**Rajendra Anandpara**

Managing Director

**Satish Patel**

Chief Financial Officer

**Raj Sarraf**

Company Secretary

Mumbai: February 9, 2012

# SCHEDULES

forming part of the accounts

(Rs. in million)

<b>1</b>	<b>SHARE CAPITAL</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>Authorised:</b>		
	20,000,000 Equity Shares of Rs. 10 each	200.0	200.0
	<b>Issued:</b>		
	16,818,270 Equity Shares of Rs. 10 each	168.2	168.2
	<b>Subscribed and paid up:</b>		
	16,617,270 Equity Shares of Rs. 10 each fully paid [Note 1]	166.2	166.2

<b>2</b>	<b>RESERVES AND SURPLUS</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
	<b>Revaluation reserve account [Note 2 (a)(i)]:</b>		
	Per last Balance Sheet	22.3	22.9
	Less: Transferred to Profit and Loss Account for adjustment of depreciation	0.6	0.6
		21.6	22.3
	<b>Securities premium account:</b>		
	Per last Balance Sheet	200.2	200.2
	<b>General Reserve:</b>		
	Per last Balance Sheet	1,968.4	1,618.4
	Add: Transferred from Profit and Loss Account	350.0	350.0
		2,318.4	1,968.4
	<b>Profit and Loss Account</b>	<b>4,594.0</b>	<b>3,377.5</b>
		<b>7,134.2</b>	<b>5,568.4</b>



# SCHEDULES

forming part of the accounts



(Rs. in million)

## 3 FIXED ASSETS

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at Jan. 1, 2011	Additions	Deductions	As at Dec. 31, 2011	As at Jan. 1, 2011	Additions	Deductions/ write back	Upto Dec. 31, 2011	As at Dec. 31, 2011	As at Dec. 31, 2010
<b>1 Tangible assets</b>										
a) Land-Freehold [Note 2(a)(i)]	19.4	–	–	19.4	–	–	–	–	19.4	19.4
- Lease Hold	117.0	4.8	–	121.8	–	–	–	–	121.8	117.0
b) Buildings and roads [Notes 2(a) & (b)]	241.1	10.0	–	251.1	93.0	7.3	–	100.3	150.8	148.1
c) Plant and Machinery	3,646.1	568.1	37.1	4,177.1	2,589.9	208.6	36.8	2,761.7	1,415.4	1,056.2
d) Furniture, fittings & equipment	93.3	15.5	1.1	107.7	43.1	7.9	0.5	50.5	57.2	50.2
e) Motor vehicles	24.3	2.0	–	26.3	5.9	2.4	–	8.3	18.0	18.4
<b>2 Intangible assets</b>										
a) Software upgradation acquired	35.6	0.2	–	35.8	34.9	0.3	–	35.2	0.6	0.7
b) Lumpsum fees for technical know-how	13.1	–	–	13.1	13.1	–	–	13.1	–	–
<b>Total</b>	<b>4,189.9</b> <b>(4,132.1)</b>	<b>600.6</b> <b>(196.9)</b>	<b>38.2</b> <b>(139.1)</b>	<b>4,752.3</b> <b>(4,189.9)</b>	<b>2,779.9</b> <b>(2,716.0)</b>	<b>226.5</b> <b>(201.7)</b>	<b>37.3</b> <b>(137.8)</b>	<b>2,969.1</b> <b>(2,779.9)</b>	<b>1,783.2</b>	<b>1,410.0</b>
Capital work-in-progress [Note 2 (c)]									568.4	61.7
Capital advances									501.6	24.3
									<b>2,853.2</b>	<b>1,496.0</b>

The figures in the brackets represent previous year's figures.

## 4 INVESTMENTS

		31.12.2011	31.12.2010
<b>Long term Investments</b>			
<b>Non-trade:</b>			
<b>Investments in shares and bonds</b>			
6 Nos. 11% Bonds 2011 of Rs.500,000 each in Steel Authority of India Limited (Quoted)	–		3.2
<b>Trade (Unquoted):</b>			
1,100,000 shares of Rs.10 each of FAG Roller Bearings Private Limited (An Associate Company)	11.0		11.0
		11.0	14.2
Less: Provision for diminution in value of investments		(11.0)	(11.0)
		–	3.2
Aggregate book value of quoted investments		–	3.2
Aggregate market value of quoted investments		–	3.2
Aggregate book value of investments - unquoted		11.0	11.0

## SCHEDULES

forming part of the accounts

(Rs. in million)

<b>5 INVENTORIES</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Stores and spares	90.0	44.0
Loose tools	29.1	25.6
Raw materials and components	527.8	366.5
Finished goods - Produced / Purchased for sale	860.5	730.4
Work-in-progress	115.1	103.7
	<b>1,622.5</b>	<b>1,270.2</b>

<b>6 SUNDRY DEBTORS</b> (Considered good, unless otherwise stated)	<b>31.12.2011</b>	<b>31.12.2010</b>
<b>Debts outstanding for a period exceeding six months:</b>		
Secured	0.2	–
Unsecured - considered good	15.6	5.7
- considered doubtful	2.9	5.0
	18.7	10.7
<b>Other Debts:</b>		
Secured	5.6	5.7
Unsecured - considered good	2,121.6	1,303.1
- considered doubtful	–	5.6
	2,127.2	1,314.4
	2,145.9	1,325.1
Less: Provision for doubtful debts	(2.9)	(10.6)
	<b>2,143.0</b>	<b>1,314.5</b>

<b>7 CASH AND BANK BALANCES</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Cash on hand	0.8	0.4
Cheques on hand	47.5	46.6
	48.3	47.0
With scheduled banks on:		
Current accounts	475.9	423.1
Deposit accounts	1,810.0	2,410.0
	2,285.9	2,833.1
	<b>2,334.2</b>	<b>2,880.1</b>

## SCHEDULES

forming part of the accounts



(Rs. in million)

<b>8 OTHER CURRENT ASSETS</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Export incentive receivable	47.0	17.8
Accrued interest on deposits / Investments	47.2	35.4
	<b>94.2</b>	<b>53.2</b>

<b>9 LOANS AND ADVANCES</b>		<b>31.12.2011</b>	<b>31.12.2010</b>
(Unsecured, Considered good, unless otherwise stated)			
<b>Intercompany loans [Note 3 (i) &amp; (ii)]</b>			
Secured	450.0		450.0
Unsecured - Considered doubtful	38.5	488.5	38.5
Advances recoverable in cash or in kind [Note 3 (iii)] or for value to be received		265.2	181.3
Balance with excise authorities		55.7	47.3
Income tax payments less provisions		157.0	79.8
		<b>966.4</b>	<b>796.9</b>
Less: Provision for doubtful loans and advances		(38.5)	(38.5)
		<b>927.9</b>	<b>758.4</b>

<b>10 CURRENT LIABILITIES</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Sundry creditors [including creditors for capital expenditure Rs.128.9 million (2010: Rs.18.6 million)]	2,261.7	1,771.7
Investor Education and Protection Fund shall be credited by the following amount:		
- Unclaimed dividend*	3.3	3.2
- Unclaimed matured deposits*	0.1	0.1
- Interest accrued on Unclaimed matured deposits*	—	—
Security deposits	14.4	13.8
	<b>2,279.5</b>	<b>1,788.8</b>
*The figures reflect the position as at the year end. The actual amount to be transferred to the Fund in this respect shall be determined on the due dates.		
Unclaimed dividend includes disputed dividend	0.3	0.1

# SCHEDULES

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(Rs. in million)

<b>11 PROVISIONS</b>	<b>31.12.2011</b>	<b>31.12.2010</b>
Provision for tax less payments:		
Income tax	4.4	12.8
Fringe benefit tax	1.2	1.2
Wealth tax	0.4	0.4
Proposed dividend	166.2	83.1
Income tax on proposed dividend	27.0	14.1
Provision for gratuity	17.2	8.2
Provision for leave encashment	143.4	103.1
Provision for warranty [Note 27]	3.6	–
	<b>363.4</b>	<b>222.9</b>

<b>12 OTHER INCOME</b>		<b>Year 2011</b>	<b>Year 2010</b>
(i) Operating Income			
Service Income	4.2		5.8
Export Incentives	63.2		27.0
Foreign exchange gain (Net) [Note 16]	1.3		–
Provisions no longer required written back	15.2		5.0
Profit on sale / write off of fixed assets (Net)	2.2		2.1
Others [Tax deducted at source 2011: Rs. 0.3 million 2010: Rs. Nil]	44.0		45.2
		<b>130.1</b>	<b>85.1</b>
(ii) Non Operating Income			
Rent [Tax deducted at source 2011: Rs. 0.3 million (2010: Rs. 0.1 million)]	2.6		0.9
Interest			
Bank	198.8		99.0
Others	69.1		67.4
[Tax deducted at source 2011: Rs. 32.0 million (2010: Rs. 17.8 million)]			
Interest from trade investments - Gross			
Long term investments			
[Tax deducted at source 2011: Rs. Nil (2010: Rs. Nil)]	0.1		0.3
		<b>270.6</b>	<b>167.6</b>
		<b>400.7</b>	<b>252.7</b>

## SCHEDULES

forming part of the accounts



(Rs. in million)

<b>13</b>	<b>MANUFACTURING AND OTHER EXPENSES</b>		<b>Year 2011</b>	<b>Year 2010</b>
	(i) Raw materials and components consumed [Note 9]		4,281.9	3,325.6
	(ii) Purchase of products for sale [Note 8]		3,433.7	2,920.7
	(iii) (Increase) / Decrease in work-in-progress and finished goods:			
	Opening stock	834.1		713.3
	Less: Closing stock	975.6		834.1
			(141.5)	(120.8)
	(iv) Payments to and provisions for employees:			
	Salaries, wages and bonus	822.8		674.8
	Contribution to provident and other funds	50.1		37.9
	Gratuity [Note 28]	33.5		9.8
	Staff welfare	105.4		77.0
			1,011.8	799.5
	(v) Expenses for manufacture, administration and selling:			
	Stores, spares and tools consumed	311.1		283.7
	Power and fuel	194.4		187.7
	Repairs to buildings	9.2		10.3
	Repairs to machinery	13.7		14.7
	Other repairs	17.4		13.0
	Rates and taxes	12.2		41.8
	Excise duty [Note 24]	16.1		12.4
	Rent [Note 20 (a)]	9.7		7.3
	Advertising and sales promotion expenses	85.7		65.8
	Legal and professional fees [Note 4 (ii - b, c) & (iii)]	46.3		30.7
	Outside services	304.3		217.4
	Travelling	101.1		64.1
	Insurance	13.1		13.7
	Fees for use of technology	205.1		168.9
	Cash discount	53.3		39.8
	Turnover bonus / discounts	364.4		213.0
	Freight and forwarding expenses	146.7		137.5
	Bad debts / advances written off (Net)	—		0.2
	Provision for doubtful debts and advances	—		1.8
	Foreign exchange loss (Net) [Note 16]	—		112.1
	Other expenses	56.2		38.2
			1,960.0	1,674.1
			<b>10,545.9</b>	<b>8,599.1</b>

<b>14</b>	<b>INTEREST</b>	<b>Year 2011</b>	<b>Year 2010</b>
	On other than fixed loans	12.6	8.9
		<b>12.6</b>	<b>8.9</b>

# SCHEDULES

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## 15 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### A Basis of preparation

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

### B Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, expenses and disclosure of contingent liabilities at the date of the financial statements and during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

### C Fixed assets 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 include financing costs of borrowed funds attributable to acquisition or construction of qualifying fixed assets, up to the date the assets are put to use. Assessment of indication of impairment of an asset is made at the year end and impairment loss, if any, recognised.
- (ii) Depreciation / Amortisation:
  - a) 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 Buildings and Roads acquired prior to April 2, 1987 is provided on straight line method at the rates - 3.39%, 2.31% (as applicable) which are different from the principal rates prescribed in Schedule XIV to the Companies Act, 1956.
    - iii) Assets individually costing Rs. 5,000 or less are depreciated fully in the year when the assets are put to use.
    - iv) In respect of the other assets, depreciation is provided on straight line method at the rates and in the manner laid down in Schedule XIV to the Companies Act, 1956.
  - b) Intangible assets:

These are amortised equally over a period of three years.

### D Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss 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 next five year's 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 Profit and Loss Account. Long-term investments are valued at cost, less any provision for diminution, other than temporary, in the value of such investments; decline, if any, is charged to the Profit and Loss Account. Cost comprises cost of acquisition and related expenses such as brokerage and stamp duties.

**F Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is ascertained on a moving weighted average basis except for goods in transit which is ascertained on a specific identification basis. Work-in-progress and manufactured finished goods are valued on full absorption cost basis and include material, labour and factory overheads.

**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 are reported using the closing rate.

**Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.

**Derivatives**

The Company uses forward exchange contracts to mitigate its exposure to movements in foreign exchange rates in respect of highly probable transactions or firm commitments. No premium or discount is recorded separately on such forward exchange contracts. The gains / losses arising on settlement / cancellation of the contracts are recognised in the Profit and Loss Account of the period of such settlement / cancellation. Provision for losses in respect of all outstanding derivative contracts are made at the Balance Sheet date by marking them to market keeping in view the principle of prudence as enunciated in Accounting Standard 1 (AS-1).

**H 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) Sale of goods is recognised on shipment or dispatch to customers. "Sales" are net of sales tax / value added tax and sales returns.
- (ii) Consultancy income on indenting business is recognised based on intimation received for sales made.
- (iii) Dividend income from investments is recognised when the Company's right to receive payment is established.
- (iv) Interest income is accounted for on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (v) Claims are accounted to the extent lodged with the appropriate authorities. Export incentives are accounted on accrual basis based on shipment.
- (vi) Rental income is accounted for, on accrual basis.

**I Intangible assets**

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

## SCHEDULES

forming part of the accounts

### **J** Employee benefits

#### **(i) 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.

#### **(ii) Post employment benefit (defined benefit plans)**

All employees are covered under Employees' Gratuity Scheme which is a defined benefit plan. The Company contributes to the Fund on the basis of the year-end liability actuarially determined in pursuance of the Scheme. All actuarial gains / losses arising during the accounting year are recognised immediately in the Profit and Loss Account as income or expense.

#### **(iii) Post employment benefit (defined contribution plans)**

All employees are covered under contributory provident fund benefit of a contribution of 12% of salary and certain allowances. Certain employees are also covered by a Company managed Superannuation fund benefit at a contribution of 15% of salary and certain allowances. Both are defined contribution schemes and the contributions are charged to Profit and Loss Account of the year when the contributions to the respective funds are due. There are no obligation other than the contributions payable to the respective fund.

#### **(iv) Long term employee benefit**

Long term employee benefits comprise of compensated absences. These are measured on the basis of year-end actuarial valuation in pursuance of the Company's leave rules.

### **K** Warranty

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

### **L** Income and deferred taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act 1961. Deferred income 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.

### **M** Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. Diluted EPS is computed by dividing the net profit attributable to the equity shareholders for the year by the weighted average number of equity and equivalent diluted equity shares outstanding during the year, except where the results would be anti dilutive.



## SCHEDULES

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### **N** Operating lease

Lease, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset during the lease term, are classified as operating leases. Operating lease payments and receipts are recognised as an expense and income respectively in the Profit and Loss Account on a straight-line basis over the lease term.

### **O** Provisions and contingencies

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure by way of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.

Contingent Assets are not recognised in the financial statement.

### **P** Cash and cash equivalents

Cash and cash equivalents in the cash flow statement comprise cash at bank and cash / cheques in hand and short term deposits with banks.

## NOTES TO THE ACCOUNTS

### 16 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2011

#### 1 Share Capital:

- (a) Out of the total subscribed and paid-up capital,
  - (i) 71,250 Equity Shares of Rs. 10 each are allotted as fully paid-up pursuant to contracts without payment having been received in cash.
  - (ii) 4,523,590 Equity Shares of Rs. 10 each were allotted as fully paid-up by way of bonus shares by Capitalisation from Securities Premium Account.
- (b) The total number of shares held by the Holding Company FAG Kugelfischer GmbH, Germany are 8,529,183.

#### 2 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 as under:

	(Rs. in million)
Land	19.1
Buildings and Roads	19.0
	<b>38.1</b>

- (ii) Depreciation on the increase in the value of fixed assets due to revaluation is charged to the Revaluation Reserve. Consequently, the depreciation charge for the year shown in the Profit and Loss Account is after deducting an amount of Rs. 0.6 million (2010: Rs. 0.6 million), representing depreciation on the increase due to revaluation of Buildings and Roads transferred from the Revaluation Reserve.
- (b) Buildings and Roads include Rs. 250, being cost of five ordinary shares of Rs. 50 each of Nariman Bhavan Premises Co-operative Society Limited and Rs. 500 being cost of ten ordinary shares of Rs. 50 each of Parekh Market Premises Co-operative Society Limited, which entitle the Company to real estate.
- (c) Capital work-in-progress includes fees for technical services for Capital project Rs. 26.1 million (2010: Rs. 10.8 million) and allocation of manufacturing & other expenses Rs. 28.7 million (2010: Rs. Nil).

#### 3 Loans and Advances include:

- (i) Unsecured Loan Rs. 38.5 million to FAG Roller Bearings Pvt. Ltd. (2010: Rs. 38.5 million), an Associate Company.
- (ii) Secured Loan Rs. 450.0 million to INA Bearings India Pvt. Ltd. an Associate Company (2010: Rs. 450.0 million). Secured by way of hypothecation of plant & machinery.
- (iii) Amount due from Directors of the Company Rs. 1.0 million (2010: Rs. Nil). Maximum amount due from Directors of the Company at any time during the year Rs. 1.0 million (2010: Rs. 0.4 million).

**4 Manufacturing and other expenses:**

(i) Managerial remuneration for the year is Rs. 11.5 million (2010: Rs. 8.7 million).

(ii) The above includes the following:

	(Rs. in million)	
a) <b>Remuneration to Managing Director</b>	<b>Year 2011</b>	<b>Year 2010</b>
Salary (including performance bonus)	6.2	4.3
Allowances & Perquisites	2.3	2.3
Contribution to Provident and Superannuation Fund**	0.8	0.7
<b>Total</b>	<b>9.3</b>	<b>7.3</b>

b) Consultancy Fee and Professional Charges for the services rendered by the Chairman and Independent Director Rs. 1.6 million (2010: Rs. 1.1 million).

c) Pursuant to provisions of Section 309(2) of the Companies Act, 1956 Director's sitting fee was paid in 2011 Rs. 0.6 million (2010: Rs. 0.3 million).

\*\* Excludes the accrual for gratuity as it is funded to FAG Bearings India Ltd. Employees' Gratuity Fund on the basis of an actuarial valuation for the Company as a whole.

**(iii) Remuneration to Auditors: (Excluding Service Tax)**

Audit fees	2.0	2.0
Fees for IFRS Audit	1.3	1.2
Limited reviews / Certification *	1.1	1.0
Out-of-pocket expenses	0.1	0.1
	<b>4.5</b>	<b>4.3</b>

\* Certification for the current year includes payment to erstwhile auditors Rs. 0.5 million

**5 Contracts on Capital account:**

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	1,240.0	172.8
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**6 Contingent liabilities not provided for in respect of:**

Claims against the Company not acknowledged as debts:

a) Employees and ex-employees related matters:

- Matters pending in Labour Court / Civil Court / High Court for reinstatement of service / recovery of salary Rs. 96.2 million (2010: Rs. 85.9 million);
- Applicability of provident fund on certain benefits to employees Rs. 155.9 million (2010: Rs. 125.8 million);
- Demand for discontinuing of contract system and for differential wages Rs. 83.0 million (2010: Rs. 73.4 million);
- Applicability of Employees State Insurance on certain benefits to employees etc. Rs. 6.0 million (2010: Rs. 5.2 million).

b) Letters of credit discounted Rs. Nil (2010: Rs. 25.5 million).

## NOTES TO THE ACCOUNTS

c) Sales Tax:

For non receipt of C Forms and rejection of Company's claim of certain sales as exempt sales in respect of assessment years 2003, 2004, 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 Rs. 22.8 million (2010: Rs. 16.1 million).

d) Excise & Service Tax:

Excise

- i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities Rs. 0.6 million (2010: Rs. 11.9 million).

Service Tax

- ii) 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) Rs. 1.8 million (2010: Rs. 2.4 million).

e) Income Tax:

- i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities Rs. 96.8 million (2010: Rs. 137.7 million).

- ii) 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) Rs. 151.8 million (2010: Rs. 202.2 million).

**7** Opening and Closing Stock of Goods manufactured / traded for the year ended December 31, 2011\*

	Opening Stock		Closing Stock	
	Nos.	Rs. in million	Nos.	Rs. in million
(a) Manufactured				
(i) Ball and Roller Bearings	3,637,458 (2,265,785)	251.7 (166.3)	4,471,364 (3,637,458)	340.8 (251.7)
(ii) Manufactured Components	1,007,969 (113,432)	1.9 (0.4)	650,882 (1,007,969)	1.6 (1.9)
(b) Traded				
(i) Bearings and Equipment	191,165 (174,031)	456.4 (438.3)	291,026 (191,165)	503.2 (456.4)
\$\$ (ii) Components of Axle Box Housing and Re-Railing Equipment		20.4 (23.9)		14.9 (20.4)
		<b>730.4</b> <b>(628.9)</b>		<b>860.5</b> <b>(730.4)</b>

Brackets denote previous year's figures.

\* Closing stock is net of scrapped / reworked items and shortages / excesses.

\$\$ For some of these items purchased for sale, assembly / minor processing by outside parties is carried out. These items are considered as traded items. As the components involved are dissimilar in nature it is not practicable to disclose quantitative information in respect of these products.

**8** Information for each class of goods manufactured / traded and sold for the year ended December 31, 2011:

Class of goods	Installed Capacity Nos.**	Production# Nos.	Sales#	
			Nos.	Rs. in million
(a) Manufactured ***				
(i) Ball and Roller Bearings	50,957,000 (50,038,000)	78,324,524 (67,749,073)	77,454,390 (66,271,133)	8,538.4 (6,687.6)
(ii) Manufactured Components	– (–)	17,572,803 (22,425,637)	17,944,124 (21,524,287)	13.4 (19.6)
	<b>Purchase</b>			
		<b>Nos.</b>	<b>Rs. in million</b>	
(b) Traded				
(i) Bearings	1,336,194 (941,708)	3,186.4 (2,675.9)	1,236,333 (924,574)	4,146.7 (3,406.0)
\$\$ (ii) Axle Box Housing, Re-Railing Equipment and its components		123.1 (136.5)		168.4 (176.8)
(iii) High seas sales steel bars / rods		124.2 (108.3)		126.4 (110.8)
		<b>3,433.7 (2,920.7)</b>		<b>12,993.3 (10,400.8)</b>

Brackets denote previous year's figures.

\*\* Installed capacity is as certified by the management on which the auditors have placed reliance without verification, being a technical matter.

# Includes bearings partially processed in house are considered manufactured products in accordance with The Central Excise Act, 1944.

\*\*\* Under a notification dated July 25, 1991 issued by the Ministry of Industry, the Company's industrial undertaking is exempt from the licensing provisions of the Industries (Development and Regulation) Act, 1951. Accordingly, the requirement concerning disclosure of licensed capacity is not applicable.

\$\$ For some of these items purchased for sale, assembly / minor processing by outside parties is carried out. These items are considered as traded items. As the components involved are dissimilar in nature it is not practicable to disclose quantitative information in respect of these products.

**9** Raw materials and components consumed (including outside processing charges):

		Year 2011		Year 2010	
		Quantity	Rs. in million	Quantity	Rs. in million
(a) Ferrous Metals	Metre	4,848.6	2.7	6,439.3	3.7
	MT	14.8	0.6	3.6	0.2
Forged Rings	Nos.	16,326.0	4.0	9,066.0	0.3
			7.3*		4.2*
Components	Nos. (000)	838,853	4,274.6	804,132	3,321.4
			4,281.9		3,325.6

Continued...

## NOTES TO THE ACCOUNTS

...Continued

		Year 2011		Year 2010	
		%		%	
(b) Imported		30.24	1,294.8	28.13	935.9
Indigenously obtained		69.76	2,987.1	71.87	2,389.7
		100.00	4,281.9	100.00	3,325.6

The consumption figures shown above have been ascertained on the basis of materials consumed and after considering excesses and shortages ascertained on physical count.

\* 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.

### 10 Spare parts and components consumed:

Spare parts and components consumed referred to in para 4-D (c) Part II of Schedule VI to the Companies Act, 1956, are assumed to be those incorporated in goods produced and not those used for the maintenance of plant and machinery.

### 11 C.I.F. value of imports:

(Rs. in million)

	Year 2011	Year 2010
Raw materials and components	1,632.2	982.0
Products purchased for sale	2,556.3	2,204.3
Stores and spares for maintenance of machinery	80.2	57.0
Capital goods	719.4	83.2
	4,988.1	3,326.5

### 12 Expenditure in foreign currency:

(Gross) subject to deduction of tax wherever applicable:

(i) Fee for use of technology	205.1	168.9
(ii) Travelling	16.6	11.7
(iii) Charges for SAP / R3 and its connectivity & maintenance	53.0	27.1
(iv) Management service charges - (Outside services)	131.5	83.5
(v) Reimbursement of Expat Cost	22.3	9.3
(vi) Others - [Training, testing charges, catalogues (Net) etc.]	4.5	5.2
(vii) Technical services	35.3	13.2
	468.3	318.9

### 13 Remittances by the Company in foreign currency on account of dividend:

On 8,529,183 Equity Shares of Rs. 10 each to one non-resident shareholder		
- for the year ended December 31, 2010	42.6	
- for the year ended December 31, 2009		38.4

## 14 Earnings in foreign exchange:

	(Rs. in million)	
	Year 2011	Year 2010
Service Income	0.5	1.7
FOB value of exports	1,567.5	996.8
Others	12.3	5.7
	<b>1,580.3</b>	<b>1,004.2</b>

15 Research and Development expenses under the respective heads aggregate to Rs. 61.5 million (2010: Rs. 37.6 million) including of capital nature Rs. 2.9 million (2010: Rs. 2.7 million).

16 Exchange differences of Rs. 1.3 million (Net credit) [2010: Rs. 112.1 million (Net debit)] on revenue account have been appropriately recognised in the Profit and Loss Account.

17 The tax year for the Company being the year ending March 31, 2012, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2011 and the provision based on the figures for the remaining nine months up to December 31, 2011 the ultimate tax liability of which will be determined on the basis of the figures for the period April 1, 2011 to March 31, 2012.

The Company's international transactions with associated enterprises are at arm's length as per the independent accountant's report for the year ended March 31, 2011. The Company is in the process of updating the documentation for the international transactions entered into with the associated enterprises during the period subsequent to March 31, 2011. Management believes that the Company's international transactions with associated enterprises post March 31, 2011 continue to be at arm's length and that the transfer pricing legislation will not have any impact on the financial statements particularly on the amount of the tax expense for the year and the amount of the provision for taxation at the year end.

## 18 Deferred Taxes:

The major components of deferred tax liabilities and deferred tax assets are set out below:

	(Rs. in million)	
	Year 2011	Year 2010
(i) Deferred Tax Liabilities		
(i) Difference between accounting and tax depreciation (cumulative)	93.4	76.9
(ii) Others	0.2	0.2
	<b>93.6</b>	<b>77.1</b>
(ii) Deferred Tax Assets		
(i) Provision for Doubtful Debts	1.0	3.5
(ii) Provision for leave encashment	43.6	31.3
(iii) Provision for Gratuity	5.6	2.8
(iv) Others	11.7	10.2
	<b>61.9</b>	<b>47.8</b>
<b>Net Deferred Tax Liabilities</b>	<b>31.7</b>	<b>29.3</b>

## NOTES TO THE ACCOUNTS

### 19 Segment reporting:

The business of the Company falls under a primary single segment i.e. manufacture and sale of "Ball / Roller Bearings and related components" for the purpose of Accounting Standard (AS-17).

Secondary Segment Information - Revenue (by Geographical segment).

(Rs. in million)

Geographical Segment	Year 2011	Year 2010
Domestic	11,425.8	9,404.0
Exports	1,567.5	996.8
<b>Total</b>	<b>12,993.3</b>	<b>10,400.8</b>

Secondary Segment Information - Assets (by Geographical segment)

(Rs. in million)

Geographical Segment	Segment Assets		Cost incurred to acquired Fixed Assets	
	As at 31 Dec. 2011	As at 31 Dec. 2010	As at 31 Dec. 2011	As at 31 Dec. 2010
Domestic	7,000.7	4,556.9	1,210.5	219.4
Exports	483.1	255.6	–	–
<b>Total</b>	<b>7,483.8</b>	<b>4,812.5</b>	<b>1,210.5</b>	<b>219.4</b>

Domestic geographical segment includes certain assets which are common to both the geographical segment (i.e. Domestic and Export).

Un-allocable Corporate Assets include Investments and other un-allocable assets.

### 20 A) Disclosure in respect of assets taken on lease:

#### Operating Leases

The Company has entered into rent agreement for equipment and leave and license agreements for certain premises (along with furniture and fixtures in certain cases) including godowns.

(Rs. in million)

	Year 2011	Year 2010
Lease payments recognised in the Profit and Loss Account for the year	9.7	7.3
	<b>9.7</b>	<b>7.3</b>

1. (i) Under certain agreements, refundable interest free deposits have been given.

(ii) The agreements

- contain renewal clause
- contain clause for restrictions on sub leasing.

#### Finance Lease

No asset has been taken on finance lease.



**B) Disclosure in respect of assets given on lease:****Operating Leases**

The Company has entered into lease agreement for certain portion of its factory and office premises. The said agreement does not provide for increase in rent during the tenure of the agreement and contains renewal clause. The lessee is entitled to terminate the lease by giving 3 months notice without assigning any reason. The Company may terminate the lease by giving 3 months notice only on the grounds specified in the agreement.

(Rs. in million)

Category	Gross carrying amount of the portion of premises leased, included in Schedule 3 'Fixed Assets'	Accumulated depreciation	Depreciation recognised in the Profit and Loss Account
Buildings	14.2	2.1	0.2
(Year 2010)	(4.8)	(1.9)	(0.1)

**21 Earnings Per Share (EPS):**

	Unit	Year 2011	Year 2010
a) Amount used as the numerator Profit after tax attributable to equity shareholders	Rs. in million	1,759.7	1,215.0
b) Weighted average number of equity shares used as the denominator	No.	16,617,270	16,617,270
c) Nominal value of share	Rs.	10.00	10.00
d) Earnings per share (basic and diluted)	Rs.	105.88	73.11

**22 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 GmbH & Co. KG, Germany (formerly INA Holding Schaeffler KG, Germany) - Schaeffler Group.

## NOTES TO THE ACCOUNTS

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

2011	2010
<b>a) Holding Company</b> FAG Kugelfischer GmbH, Germany	<b>a) Holding Company</b> FAG Kugelfischer GmbH, Germany
<b>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 Technologies GmbH & Co. KG, Germany Schaeffler Tech. AG & Co. KG, Germany Schaeffler AG, Germany Schaeffler Automotive Aftermarket GmbH & Co. oHG, Germany FAG Industrial Services GmbH, Germany WPB Water Pump Bearing GmbH & Co. KG, Germany FAG Magyarorszag Ipari KFT, Hungary Schaeffler Hong Kong Company Ltd., Hong Kong INA Bearings India Private Ltd., India FAG Roller Bearings Private Ltd., India LuK India Private 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 Nederland B.V., Nederland Schaeffler Portugal S.A., Portugal Schaeffler Philippines Inc., Philippines SC Schaeffler Romania S.R.L., Romania Schaeffler (Singapore) Pte. Ltd., Singapore Hydrel GmbH, Switzerland Schaeffler South Africa (Pty.) Ltd. South Africa Schaeffler (Thailand) Co. Ltd., Thailand The Barden Corporation, UK The Barden Corporation, USA Schaeffler Group USA Inc. Schaeffler Vietnam Co. Ltd., Vietnam	<b>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 (Ningxia) Co. Ltd., China Schaeffler KG and its successor Schaeffler Technologies GmbH & Co. KG, Germany Schaeffler Automotive Aftermarket GmbH & Co. oHG, Germany FAG Industrial Services GmbH, Germany WPB Water Pump Bearing GmbH & Co. KG, Germany FAG Magyarorszag Ipari KFT, Hungary Schaeffler Hong Kong Company Ltd., Hong Kong INA Bearings India Private Ltd., India FAG Roller Bearings Private Ltd., India LuK India Private Ltd., India Schaeffler Bearings Indonesia, PT, Indonesia Schaeffler Japan Co. Ltd., Japan Schaeffler Korea Corporation, Korea Schaeffler Nederland B.V., Nederland 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 Schaeffler (Thailand) Co. Ltd., Thailand Schaeffler (UK) Limited The Barden Corporation, UK The Barden Corporation, USA Schaeffler Group USA Inc. Schaeffler Vietnam Co. Ltd., Vietnam
<b>c) Key Management Personnel</b> Mr. Rajendra Anandpara, Managing Director	<b>c) Key Management Personnel</b> Mr. Rajendra Anandpara, Managing Director

## NOTES TO THE ACCOUNTS



### 3. Transactions with related parties during the year ended December 31, 2011

(Rs. in million)

Nature of Transaction	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Purchase of Finished Goods	– (–)	2,492.2 (2,095.1)	– (–)	2,492.2 (2,095.1)
Purchase of Raw materials and Components / Spares	– (–)	796.5 (552.8)	– (–)	796.5 (552.8)
Purchase of Tangible Fixed Assets	– (–)	658.5 (73.0)	– (–)	658.5 (73.0)
Fees for use of technology	– (–)	205.1 (168.9)	– (–)	205.1 (168.9)
Charges for SAP / R3 and Connectivity	– (–)	53.0 (26.9)	– (–)	53.0 (26.9)
Dividend for the year - 2010 - 2009	42.6 (38.4)	– (–)	– (–)	42.6 (38.4)
Deputation, Travelling, Training, Testing, & Other Costs	– (–)	10.6 (8.8)	– (–)	10.6 (8.8)
Management Service charges (Outside Services)	– (–)	129.4 (76.4)	– (–)	129.4 (76.4)
Expat Cost	– (–)	22.3 (9.3)	– (–)	22.3 (9.3)
Sale of Finished Goods	– (–)	1,541.0 (970.0)	– (–)	1,541.0 (970.0)
Technical Services including capitalised Rs. 10.8 million	– (–)	33.8 (13.2)	– (–)	33.8 (13.2)
Remuneration (Refer Note 4(c)(ii)(a) of Schedule 16 to the accounts)	– (–)	– (–)	9.3 (7.3)	9.3 (7.3)
Corporate Expenses	– (–)	27.5 (31.2)	– (–)	27.5 (31.2)
Reimbursement of Expenditure for consultant of Market strategy & power pricing	– (–)	33.1 (–)	– (–)	33.1 (–)
Supply of Material / Payments on behalf of related parties	– (–)	22.6 (8.5)	– (–)	22.6 (8.5)
Interest on loan given and on current account	– (–)	50.9 (50.9)	– (–)	50.9 (50.9)
Recovery of interest on loan and on current account	– (–)	50.9 (51.4)	– (–)	50.9 (51.4)
Service Income	– (–)	0.5 (1.7)	– (–)	0.5 (1.7)
Lease rent	– (–)	2.8 (1.0)	– (–)	2.8 (1.0)
Recovery of Lease rent	– (–)	2.8 (1.0)	– (–)	2.8 (1.0)

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

## NOTES TO THE ACCOUNTS

### 4. Balances outstanding as at December 31, 2011:

(Rs. in million)

Nature of Transaction	Fellow Subsidiaries / Associate Companies
<b>Investment</b>	
FAG Roller Bearings Private Ltd., India	11.0 (11.0)
<b>Capital Advance</b>	
FAG Roller Bearings Private Ltd., India	115.9 (-)
<b>Receivables</b>	
Schaeffler Technologies GmbH & Co. KG, Germany	326.7 (180.0)
Schaeffler Hong Kong Company Ltd., Hong Kong	21.1 (3.6)
INA Bearings India Private Ltd., India	7.3 (13.1)
LuK India Private Ltd., India	9.8 (6.0)
The Barden Corporation, USA	2.8 (0.8)
FAG Roller Bearings Private Ltd., India	14.3 (18.3)
Schaeffler Korea Corporation, Korea	7.9 (0.1)
Schaeffler Holding (China) Co. Ltd., China	0.1 (-)
Schaeffler (China) Co. Ltd., China	- (0.9)
Key Management person	1.0 (-)
Others	66.0 (49.6)
<b>Payables</b>	
Schaeffler Technologies GmbH & Co. KG, Germany	1,005.3 (647.3)
Schaeffler (China) Co. Ltd., China	72.7 (5.5)
Schaeffler Holding (China) Co. Ltd., China	13.8 (6.5)
Schaeffler Korea Corporation, Korea	15.3 (6.1)
INA Bearings India Private Ltd., India	10.3 (6.7)
Others	35.8 (12.9)

## The significant related party transactions are as under:

(Rs. in million)

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Purchase of Finished Goods	Schaeffler Technologies GmbH & Co. KG, Germany	2,311.7 (1,979.6)
Purchase of Raw materials and Components / Spares	Schaeffler Korea Corporation, Korea	101.2 (71.0)
	Schaeffler Technologies GmbH & Co. KG, Germany	578.4 (407.8)
Purchase of Tangible Fixed Assets	Schaeffler Technologies GmbH & Co. KG, Germany	542.2 (38.2)
	FAG Roller Bearings Private Ltd., India	– (11.7)
	Schaeffler (China) Co. Ltd., China	66.4 (–)
	Schaeffler Korea Corporation, Korea	– (18.9)
Sale of Finished Goods	Schaeffler Technologies GmbH & Co. KG, Germany	970.8 (776.8)
	Schaeffler Hong Kong Company Ltd., Hong Kong	224.9 (–)
Fees for use of technology	Schaeffler Technologies GmbH & Co. KG, Germany	203.3 (167.5)
Charges for SAP / R3 and connectivity	Schaeffler Technologies GmbH & Co. KG, Germany	53.0 (26.9)
Deputation Travelling, Training, Testing & Other Costs	Schaeffler Technologies GmbH & Co. KG, Germany	3.5 (4.8)
	Schaeffler Holding Co. (China) Ltd.	2.2 (3.5)
	Schaeffler (China) Co. Ltd., China	1.8 (–)
	INA Bearings India Private Ltd., India	1.5 (–)
Management Service charges	Schaeffler Holding Co. (China) Ltd.	106.0 (69.8)
	INA Bearings India Private Ltd., India	19.7 (–)
Technical Services (including capitalised Rs. 26.2 million)	Schaeffler Technologies GmbH & Co. KG, Germany	31.8 (11.4)
	Schaeffler Holding Co. (China) Ltd.	– (1.8)
Expat Cost	Schaeffler Technologies GmbH & Co. KG, Germany	18.0 (9.3)
	Schaeffler Korea Corporation, Korea	4.3 (–)

Continued...

## NOTES TO THE ACCOUNTS

...Continued

(Rs. in million)

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Supply of Material / Payments on behalf of related parties	Schaeffler Technologies GmbH & Co. KG, Germany	6.9 (2.9)
	INA Bearings India Private Ltd., India	5.9 (-)
	LuK India Private Ltd., India	4.5 (-)
	The Barden Corporation, USA	3.8 (2.2)
Corporate Expenses	INA Bearings India Private Ltd., India	16.1 (18.7)
	LuK India Private Ltd., India	11.4 (12.5)
Interest on loan given and on current account	FAG Roller Bearings Private Limited, India	5.9 (6.4)
	INA Bearings India Private Limited, India	45.0 (45.0)
Recovery of interest on loan and on current account	FAG Roller Bearings Private Limited, India	5.9 (5.9)
	INA Bearings India Private Limited, India	45.0 (45.0)
Service Income	Schaeffler Technologies GmbH & Co. KG, Germany	0.5 (1.7)
Lease Rent	FAG Roller Bearings Private Limited, India	2.8 (1.0)
Recovery of Lease Rent	FAG Roller Bearings Private Limited, India	2.8 (1.0)

Nature of Transactions	Key Management Personnel	Amount
Remuneration	Mr. Rajendra Anandpara	9.3 (7.3)

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

### 23 Disclosure under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006:

As per the information available with the Company and as certified by the management, there are no dues outstanding including interest as on December 31, 2011 to Small and Micro Enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

- 24
- Excise duty paid and collected from customers is shown separately and deducted from the Sales turnover (Gross) in the Profit and Loss Account.
  - Excise duty appearing under Manufacturing and Other expenses (Schedule 13) represents (i) the difference between excise duty included in the closing stock and that in opening stock of manufactured finished goods Rs. 7.4 million Net Debit (2010: Rs. 10.7 million Net debit) and (ii) the excise duty on the free sample, scrap etc. Rs. 8.7 million (2010: Rs. 1.7 million).

- 25 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 forecast transactions. The outstanding forward exchange contracts entered against the same and other future probable commitments and the foreign currency exposures as at December 31, 2011 and are as follows:

**Forward exchange contracts as at December 31, 2011:**

Forward exchange contracts outstanding	USD	– (35,239,000)	– (1,732.0)
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*Note: Figures disclosed in brackets represent previous year's figures.*

**Foreign currency exposures as at December 31, 2011:**

Particulars	Amount in Foreign Currency		Equivalent Amount in Indian Currency (Rs. in million)
Trade Payables	USD	20,970,504 (15,671,964)	1,141.0 (703.1)
	EURO	844,106 (1,157,152)	56.6 (44.5)
	CHF	1,755 (638)	0.1 (0.1)
	AUD	1,153 (1,153)	0.1 (0.1)
	JPY	471,400 (145,000)	0.3 (0.1)
Trade Receivables	USD	8,048,959 (5,196,656)	426.1 (231.9)
	EURO	146,482 (100,301)	10.0 (5.9)
Advances to Suppliers	USD	994,204 (537,747)	54.1 (24.2)
	EURO	231,747 (822)	16.0 (0.1)
Bank balance in EFC accounts	USD	2,197,927 (1,885,493)	116.4 (84.1)
	EURO	6,928 (24,161)	0.5 (1.4)

- 26 Prior period adjustments represent expenses arising on account of Sales Tax / VAT liabilities for earlier years, Rs. Nil (2010: Rs. 25.6 million).

- 27 **Provision for warranty:**  
Disclosures pursuant to Accounting Standard 29.

## NOTES TO THE ACCOUNTS

Particulars	(Rs. in million)	
	Year 2011	Year 2010
Opening Balance	–	1.0
Created during the year	3.6	–
Used during the year	–	1.0
Closing Balance	3.6	–

The provision for warranty is on account of warranties given on products sold by the Company. The provision is determined based on the historical data. The timing and the amount of the actual cash flow that will arise from these matters will be determined at the time of receipt of claims from customers.

### 28 Gratuity:

Disclosures in respect of Defined benefit obligations in respect of gratuity pursuant to Accounting Standard 15

The amounts (Rs. in million) recognised in the Balance Sheet are as follows:

	As on 31.12.2011	As on 31.12.2010
Present value of funded obligations	202.1	170.1
Fairvalue of plan assets	184.9	161.9
Unrecognised past service cost	–	–
Net liability in the Balance Sheet (Also refer foot note)	17.2	8.2

The amounts (Rs. in million) recognised in the statement of profit and loss are as follows:

	For the year ended 31.12.2011	For the year ended 31.12.2010
Current service cost	8.7	8.1
Interest on obligation	13.7	11.8
Expected return on plan assets	(12.5)	(11.7)
Net actuarial losses (gains) recognised in year	23.6	1.6
Past service cost	–	–
Losses (gains) on curtailments and settlements	–	–
Total included in 'employee benefit expense'	33.5	9.8
Actual return on plan assets	17.4	12.8

Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

	For the year ended 31.12.2011	For the year ended 31.12.2010
Opening defined benefit obligation	170.1	159.6
Prior period adjustment	–	–
Service cost	8.7	8.1
Interest cost	13.7	11.8
Actuarial losses (gains)	28.5	2.7
Benefits paid	(18.9)	(12.1)
Closing defined benefit obligation	202.1	170.1



Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

	For the year ended 31.12.2011	For the year ended 31.12.2010
Opening fair value of plan assets	161.9	147.9
Expected return	12.5	11.7
Actuarial gains (losses)	4.9	1.1
Contributions by employer	24.5	13.3
Assets acquired in an amalgamation in the nature of purchase	—	—
Exchange differences on foreign plans	—	—
Benefits paid	(18.9)	(12.1)
Closing fair value of plan assets	184.9	161.9

The Group expects to contribute Rs. 24.0 million to its defined benefit pension plans in the year 2012.

The major categories of plan assets as a percentage of total plan assets are as follows:

	As on 31.12.2011	As on 31.12.2010
Government of India Securities	2%	2%
Corporate bonds	—	—
Special Deposit Scheme	—	—
Insurer Managed Funds	98%	98%
Others	—	—

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted average)

	For the year ended 31.12.2011	For the year ended 31.12.2010
Discount rate per annum as at December 31, 2011	9.00%	8.25%
Expected return per annum on plan assets as at December 31, 2011	8.00%	8.00%
Salary Escalation per annum	7.00%	6.00%
Retirement Age	58 years	58 years
Mortality	LIC 1994-96 mortality tables	LIC 1994-96 mortality tables
Attrition rate	1% - 2%	1% - 2%

## NOTES TO THE ACCOUNTS

### Experience Adjustments

Particulars	31.12.2007	31.12.2008	31.12.2009	31.12.2010	31.12.2011
Defined Benefit Obligation	113.7	138.4	159.6	170.1	202.1
Plan Assets	106.0	125.6	147.9	161.9	184.9
Surplus / (Deficit)	(7.8)	(12.8)	(11.6)	(8.2)	(17.2)
Experience Adjustments of Plan Liabilities	2.7	17.9	6.3	11.6	24.9
Experience Adjustments of Plan Assets	(3.2)	(1.2)	6.9	1.1	4.9

#### Foot Note:

The estimates of future salary increases, considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

**29** Previous year's figures have been audited by a firm of Chartered Accountants other than BSR & Co.

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

**Vijay Mathur**  
Partner  
Membership No. 046476  
Mumbai: February 9, 2012

**Avinash Gandhi**  
Chairman

**Satish Patel**  
Chief Financial Officer

**Rajendra Anandpara**  
Managing Director

**Raj Sarraf**  
Company Secretary

Mumbai: February 9, 2012

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE



Statement pursuant to part IV of Schedule VI to The Companies Act, 1956. Balance Sheet abstract and Company's general business profile as per part IV of Schedule VI to the Companies Act, 1956

## I Registration details

Registration no.	Balance sheet date	State code
12340	31.12.2011	11

## II Capital raised during the year (Amount in Rs. million)

Public issue	Rights issue	Bonus issue	Private placement
Nil	Nil	Nil	Nil

## III Position of mobilisation and deployment of funds (Amount Rs. in million)

Total liabilities		Total assets		
9,975.0		9,975.0		
Sources of funds				
Paid up capital		Reserves & surplus	Secured loans	Unsecured loans
166.2		7,134.2	0	0
Application of funds				
Net fixed assets	Investments	Net current assets	Misc. expenditure [Deferred tax asset / (Liability)]	Accumulated losses
2,853.2	0.0	4,478.9	(31.7)	0

## IV Performance of the Company (Amount in Rs. million)

Turnover	Total expenditure	Earning / (Loss) per share (in Rs.)
13,394.0	10,784.4	105.88
+/- Profit / Loss before tax	+/- Profit / Loss after tax	Dividend rate %
2,609.6	1,759.7	100

## V Genetic names of three principal products / services of the Company (as per monetary terms)

Item code no. (ITC code)	Product description*
8482	BALL AND ROLLER BEARINGS

\* Includes spherical and cylindrical roller bearings

Mumbai: February 9, 2012

Avinash Gandhi  
Chairman

Satish Patel  
Chief Financial Officer

Rajendra Anandpara  
Managing Director

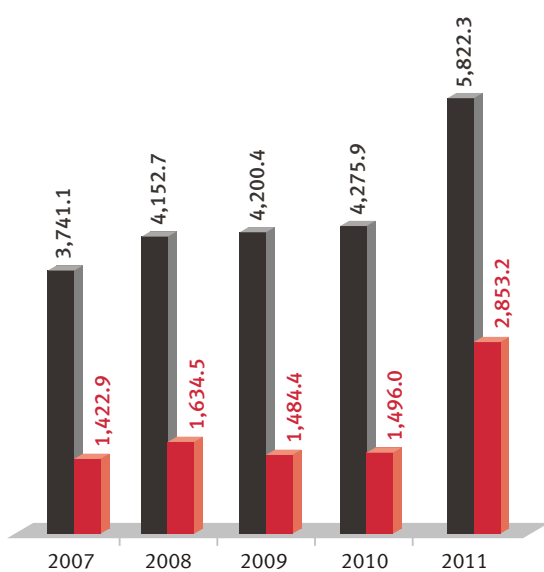
Raj Sarraf  
Company Secretary

## PERFORMANCE HIGHLIGHTS

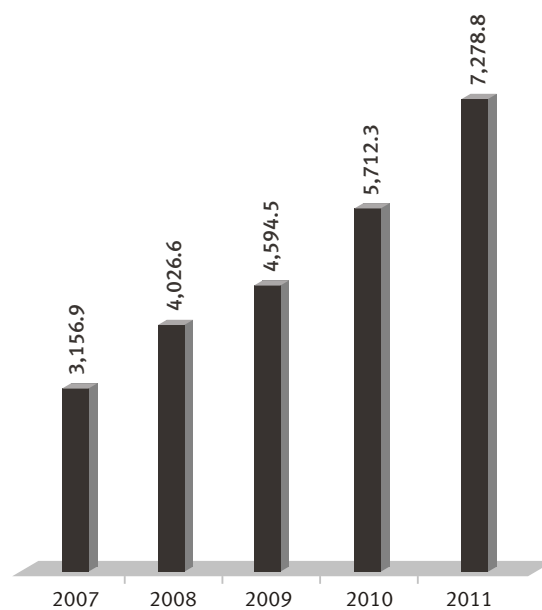
(Rs. in million)

### GROSS & NET FIXED ASSETS

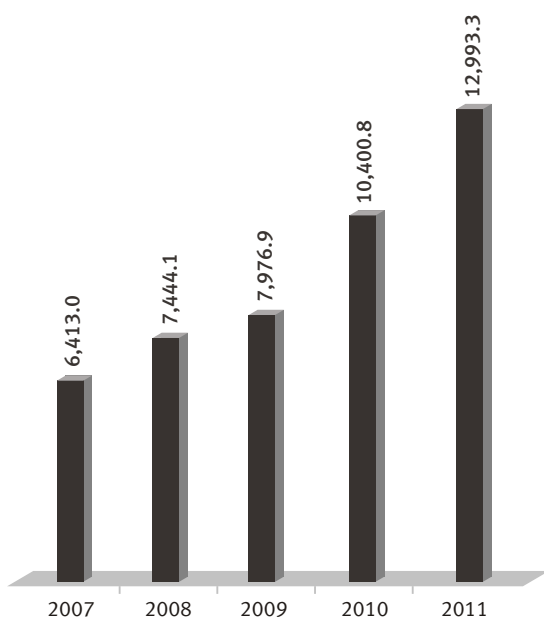
■ Gross Fixed Assets ■ Net Fixed Assets



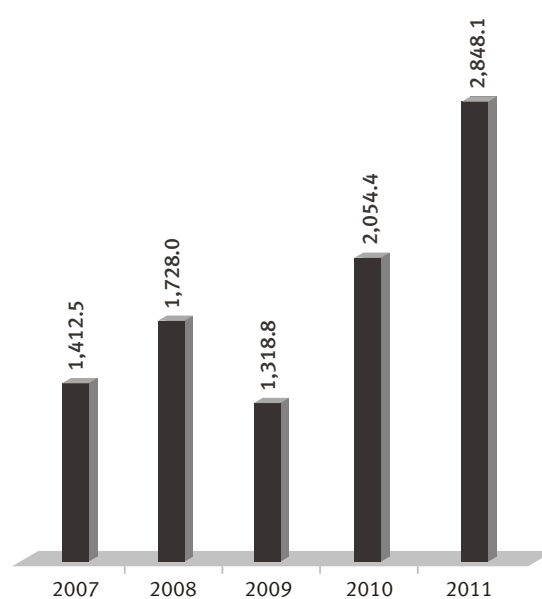
### NET WORTH



### SALES (NET)



### GROSS OPERATING PROFIT



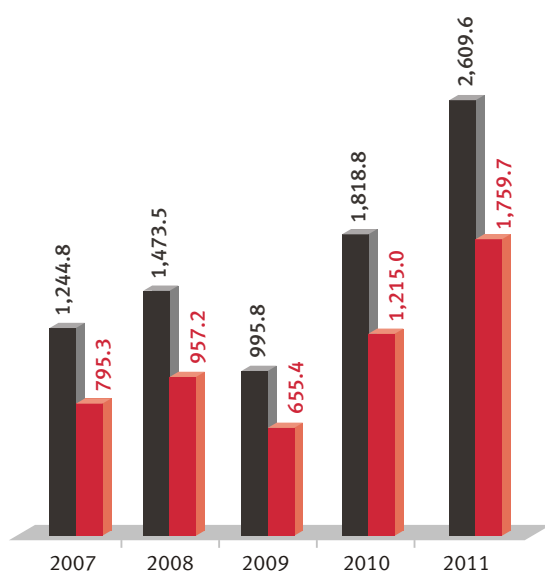
## PERFORMANCE HIGHLIGHTS

# FAG

(Rs. in million)

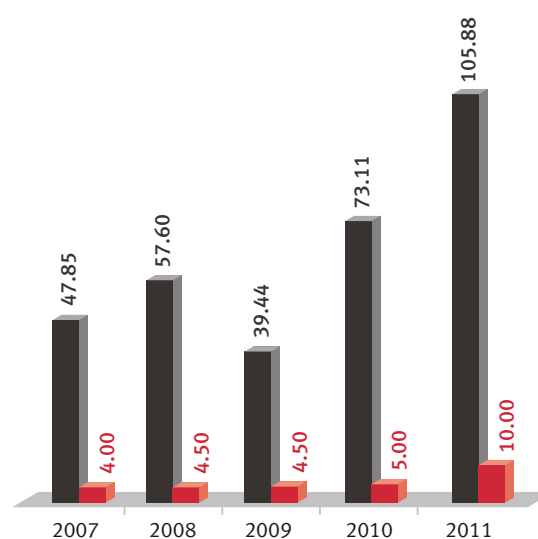
### PROFIT BEFORE & AFTER TAX

■ Profit Before Tax ■ Profit After Tax

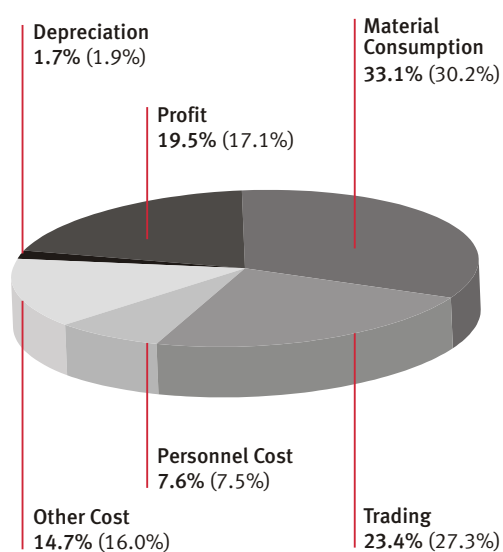


### EARNINGS & DIVIDEND PER SHARE

■ EPS ■ DPS



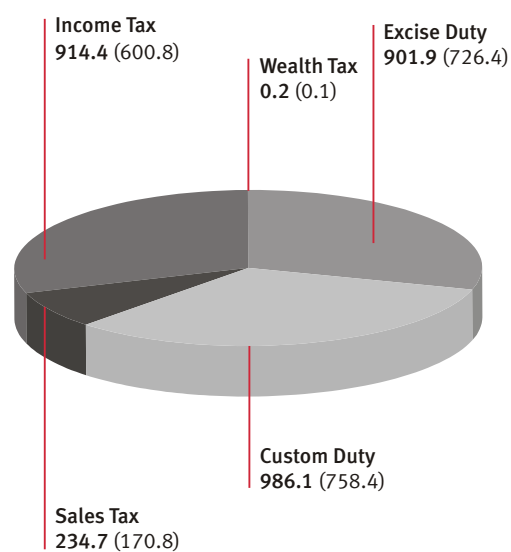
### DISTRIBUTION OF INCOME



(Bracket denote previous year's figures)

### CONTRIBUTION TO EXCHEQUER

Total: 3,037.3 (2,256.5)



(Bracket denote previous year's figures)

# TEN YEARS' HIGHLIGHTS

(Rs. in million)

Year	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<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*	7,112.6	5,546.1	4,428.3	3,860.4	2,990.7	2,285.4	1,624.2	1,212.2	969.2	830.5
Net worth*	7,278.8	5,712.3	4,594.5	4,026.6	3,156.9	2,451.6	1,790.4	1,378.4	1,135.4	996.7
Borrowings - long term	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	169.9	231.5
Funds employed	7,278.8	5,712.3	4,594.5	4,026.6	3,156.9	2,451.6	1,790.4	1,378.4	1,305.3	1,228.2
<b>INCOME AND PROFITS</b>										
Sales (Net)	12,993.3	10,400.8	7,976.9	7,444.1	6,413.0	5,420.4	4,083.2	3,231.2	2,669.1	2,443.1
Gross operating profit	2,848.1	2,054.4	1,318.8	1,728.0	1,412.5	1,290.1	854.5	601.1	502.0	483.3
Profit before tax	2,609.6	1,818.8	995.8	1,473.5	1,244.8	1,107.8	677.6	434.0	309.7	253.9
Tax	849.9	603.8	340.4	516.3	449.5	370.8	198.7	125.2	*** 78.1	56.2
Profit after tax	1,759.7	1,215.0	655.4	957.2	795.3	737.0	478.9	308.8	231.6	197.7
Dividend Per Share (Rs.)**	10.0	5.0	4.5	4.5	4.0	4.0	3.5	3.5	4.5	4.0
Retained earnings	1,566.5	1,117.8	567.9	869.7	715.5	661.2	412.0	243.0	138.7	131.2
<b>OTHER DATA</b>										
Gross fixed assets	5,822.3	4,275.9	4,200.4	4,152.7	3,741.1	3,525.7	3,058.6	2,709.4	2,585.8	2,496.8
Net worth Per Equity (Rs.)	438	343.8	276.5	242.3	190.0	147.5	107.7	82.9	68.3	60.0
Debt equity ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	0.15	0.23
Current ratio	2.7	3.1	3.2	2.8	2.5	2.1	1.8	1.9	1.7	1.4
Production (Nos. in million)	78.3	67.7	47.7	46.4	45.1	44.1	32.3	27.2	25.6	24.7
Sales (Nos. in million)	77.4	66.3	49.2	45.4	44.6	43.0	32.1	28.4	25.8	23.8
Employees (Nos.)	1,456	1,343	1,334	1,375	1,282	1,157	1,037	1,031	1,063	1,064
Shareholders (Nos.) (As on December 31)	8,205	7,876	7,276	7,623	7,439	7,714	8,033	8,823	10,003	11,622

\*Excluding revaluation reserve \*\*Proposed \*\*\*Net off write back

Dear Shareholder,

You can avail of the NECS facility. NECS operates as under:

- 1** You need to send the NECS Form given overleaf after filling up the relevant details to the registrar.
- 2** 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.
- 3** 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.
- 4** 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, 2012, who will inform the shareholders opting for this facility about the credit of dividend amount.
- 5** 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.

# NATIONAL ELECTRONIC CLEARING SERVICE - MANDATE FORM

(Shareholders' option to receive payments through Credit Clearing Mechanism)

To:  
**Link Intime India Pvt. Ltd.**  
(The Registrar & Transfer Agent • Unit: FAG Bearings India Limited)  
B-102 - 103, Shangrila Complex, First Floor, Opp. HDFC Bank,  
Nr. Radhakrishna Char Rasta, Akota, Vadodara - 390 020.

**DIVIDEND  
PAYMENT**

1	Shareholder's name		
2	Registered folio no. /		
	*DP ID no.		*Applicable to Investors holding shares in dematerialised form
	*Client ID no.		
3	Particulars of bank account		
A	Name of the bank		
B	Name of the branch and address		
	Tel.	STD code	
C	9-Digit code number of the bank and branch appearing on the MICR cheque issued by the bank		
D	Type of the account (Saving, current or cash credit) with MICR code		
E	Bank account number (as appearing on the cheque book)		
F	PAN No.		
G	Address of the Shareholder		
	Tel.	STD code	
	Email		

(In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque or photocopy of a cheque or front page of your savings bank passbook issued by your bank for verification of the above particulars)

4	Date of effect:		
I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold FAG Bearings India Limited responsible.			
Date			
Place		Signature of the shareholder	
Certified that the particulars furnished above are correct as per our records.			
Date		Bank's stamp	Signature of the authorised Official of the bank

BANK CERTIFICATE NOT REQUIRED, IF ATTACHMENT GIVEN AS PER 3 'E' ABOVE



## NOTICE



To  
The Member(s)  
**FAG Bearings India Limited**

Notice is hereby given that the Forty Ninth Annual General Meeting of "FAG BEARINGS INDIA LIMITED" will be held on Friday, April 20, 2012 at 3.00 P.M. at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021 to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at December 31, 2011 and the Profit and Loss Account for the year ended on that date along with Directors' and Auditors' Report thereon.
2. To declare dividend for the year ended December 31, 2011.
3. To appoint a Director in place of Mr. Wolfgang Dangel, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Frank Huber, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS

6. To appoint a Director in place of Mr. R. Sampath Kumar, who was appointed with effect from April 21, 2011 by the Board, and pursuant to provisions of Section 260 of the Companies Act, 1956 read with Article 126 of the Articles of Association of the Company, holds office up to the date of this Annual General Meeting of the Company. The Company has received notice under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

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

**"RESOLVED THAT** pursuant to applicable provisions of the Companies Act, 1956, Mr. R. Sampath Kumar be and is hereby appointed as Director of the Company".

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

**Registered Office:**  
Nariman Bhavan, 8th Floor, 227, Backbay Reclamation,  
Nariman Point, MUMBAI - 400 021

February 09, 2012

By Order of the Board

**Raj Sarraf**  
Company Secretary



## NOTICE

### NOTES:

1. A MEMBERS, ENTITLED TO ATTEND AND VOTE AT THIS 49TH 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 NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING.
2. 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 18, 2012.
3. The Company has notified closure of Register of Members and the Transfer Books from April 2, 2012 to April 6, 2012 (both days inclusive) to determine entitlement of dividend on equity shares. The dividend will be paid to those shareholders, whose names appear on the Register of Members of the Company as at the end of business hours on March 31, 2012. 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. In respect of shares held in electronic form (demat shares), the dividend will be paid on the basis of beneficial ownership as per the details furnished by the Depositories for this purpose.
4.
  - a) Shareholders, who have not encashed the dividend warrants for the years 2004, 2005, 2006, 2007, 2008, 2009 and 2010 are requested to claim the amount from the Company immediately.
  - b) Pursuant to provisions of Section 205A read with Section 205C of the Companies Act, 1956 unclaimed dividends up to the year 2003 were transferred to the Investor Education and Protection Fund in time.
5. National Electronic Clearing Service (NECS) has been permitted by the Reserve Bank of India. Shareholders may fill up the option form and send it to the Registrar by April 01, 2012.
6. The Ministry of Corporate Affairs, New Delhi (MCA) has taken "Green Initiative" by permitting paperless compliances by Companies vide its Circular No. 17/2011 dated 21.04.2011 and Circular No. 18/2011 dated 29.04.2011 after considering certain provisions of the Information Technology Act, 2000 which provides the validity of sending documents through electronic mode and has clarified that the service of documents by a Company can be made through electronic mode instead of physical copy of document(s). 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 and Share Transfer Agent: for the shares held in physical form and
  - b) Your respective Depository Participant: for the shares held in Dematerialised form
7. Equity Shares of the Company are under compulsory demat trading by all the investors. Considering the advantages of scrip-less trading, shareholders are requested to consider dematerialisation of their shareholding, if not already done so as to avoid inconvenience in future.
8. The explanatory statement under Section 173 of the Companies Act, 1956 in respect of item no. 6, under Special Business, is annexed hereto.

Explanatory statement under Section 173 of the Companies Act, 1956 relating to Special Business mentioned in the Notice convening the 49th Annual General Meeting.

**Item  
No. 6**

Mr. R. Sampath Kumar became a member of the Board with effect from 21st day of April, 2011. He was appointed by the Board of Directors to fill the vacancy caused due to death of Dr. Vidya Sagar. Prior to his appointment as an Additional Director, he has been associated as an Alternate Director to Mr. Frank Huber for over a decade. Mr. Sampath Kumar is an Attorney-at-Law and had been associated with 'Remfry & Sagar', a renowned law firm, for nearly 25 years rendering legal services mainly to overseas business houses including those from USA, Europe, Israel and Japan. Since the last three years, Mr. Sampath Kumar has been carrying on his independent practice in the areas of corporate and general commercial laws and intellectual property law.

His continued association is in the interest of the Company. Your directors therefore recommend his election to the office of director of the Company. Notice from a member proposing his candidature together with a deposit of Rs. 500/- in terms of Section 257 of the Companies Act, 1956 has been received by the Company.

Except Mr. R. Sampath Kumar no other director is interested in the resolution.

**A brief résumé and shareholding of directors who are being appointed / re-appointed have been included in the Corporate Governance Report.**

**Registered Office:**

Nariman Bhavan, 8th Floor, 227, Backbay Reclamation,  
Nariman Point, MUMBAI - 400 021

February 09, 2012

By Order of the Board

**Raj Sarraf**  
Company Secretary



## FORM

(Shareholders' option to receive documents through email)

# FAG

To

**Link Intime India Pvt. Ltd.**

**(The Registrar & Transfer Agent | Unit: FAG Bearings India Limited)**

B-102-103, Shangrilla Complex, First Floor, Opp. HDFC Bank,  
Near Radhakrishna Char Rasta, Akota, Vadodara-390 020

Dear Sirs,

Subject: Update my / our email address in your records.

Please note my following email address and send notice / documents through electronic mode in future:

1

Name of the Shareholder / Beneficial Owner

2

Registered Folio / DPID and Client ID

3

No. of shares

4

Email address of the first named Shareholder / Beneficial holder where he / she would like  
Notice / Documents to be served by the Company

5

Email address of the second / third named Shareholder / Beneficial holder where he / she would  
like Notice / documents to be served by the Company.

Date: \_\_\_\_\_

Place: \_\_\_\_\_

\_\_\_\_\_  
Signature of the shareholder



## FAG Bearings India Limited

Registered Office: "Nariman Bhavan", 8th Floor,  
227, Backbay Reclamation, Nariman Point, Mumbai - 400 021

**FAG****SCHAEFFLER GROUP**

### A T T E N D A N C E   S L I P

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the Forty Ninth Annual General Meeting of the Company at Kamalnayan Bajaj Hall, Ground Floor, Bajaj Bhawan, Jamnalal Bajaj Marg, 226, Nariman Point, Mumbai - 400 021 on Friday, April 20, 2012 at 3.00 p.m.

Member's / Proxy's name in BLOCK Letters

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Regd. Folio No. / Client ID No.

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Member's / Proxy's Signature

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**Note:** Please fill in this attendance slip and hand it over at the entrance of the hall. Shareholders attending the meeting are requested to bring their copies of the Annual Report with them.

## FAG Bearings India Limited

Registered Office: "Nariman Bhavan", 8th Floor,  
227, Backbay Reclamation, Nariman Point, Mumbai - 400 021

**FAG****SCHAEFFLER GROUP**

### P R O X Y   F O R M

Regd. Folio No. / Client ID No.

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I/We

---

---

of

being a Member / Members of the above named Company hereby appoint

---

---

of

or failing him

---

---

of

as my / our proxy to vote for me / us on my / our behalf at the Forty Ninth Annual General Meeting of the Company to be held on Friday, April 20, 2012 at 3.00 p.m.

Signed this

day of

2012.

Place

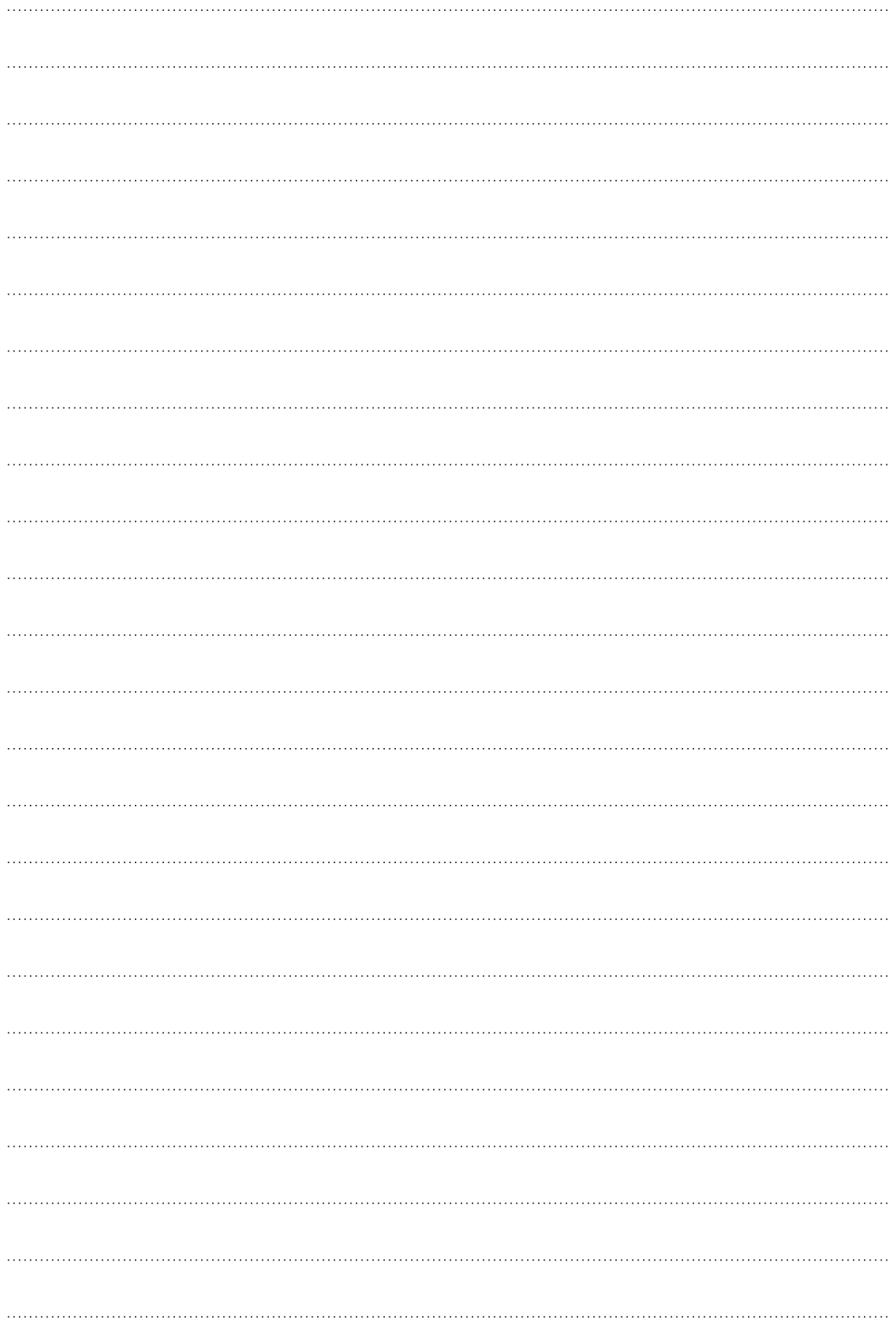
Signature

**Note:** This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the Meeting.

Affix  
1 Rupee  
Revenue  
Stamp









## O U R V A L U E S

### Passion for Our Customers

We encourage creativity and constantly apply our technical excellence & best-in-class technology to develop innovative solutions for our customers.

We value quality and efficiency to anticipate and exceed customers' expectations.

### Count on Us

We are accountable and consistent with clear goals and decisive leadership.

We are continuously improving our products, services and processes towards sustainable growth with our business partners and shareholders.



### Care for People

We empower and trust our employees in a transparent and fair manner.

We are together as one team as we learn, share and strive for the best talents and develop the future leaders.

### Contribute to a Better World

We value environmental and humanitarian aspects and endeavour to develop green technologies and energy saving solutions.

**FAG Bearings India Limited**

Maneja, Vadodara - 390013  
Gujarat, India.  
Tel.: + 91 265 6602000-2004  
Fax: + 91 265 2638804  
[www.fag.com](http://www.fag.com), [www.fag.co.in](http://www.fag.co.in)