

SCHAEFFLER GROUP

FAG



TOGETHER WE MOVE THE WORLD

ANNUAL REPORT 2010

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Company Information

Board of Directors

Chairman	Avinash Gandhi
Managing Director	Rajendra Anandpara
Directors	Bernhard Steinruecke Bruno Krauss Frank Huber Wolfgang Dangel Moreshwar Garde
Alternate to Mr. Krauss	Kamlesh Tapadar
Alternate to Mr. Huber	R. Sampath Kumar
Alternate to Mr. Dangel	Yezad Kapadia

Chief Financial Officer	Satish Patel
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Company Secretary	Raj Sarraf
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Bankers	Union Bank of India ICICI Bank Limited
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Auditors	Mohinder Puri & Co., New Delhi
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Collaborators	Schaeffler Group, Germany
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Head Office & Works	Maneja, Vadodara - 390 013
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Sales Offices	Bangalore, Chennai, Kolkata, Coimbatore, Hyderabad, Udaipur, Mumbai, New Delhi, Pune, Jamshedpur
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Directors' Report

To the members of the Company

Your Directors are pleased to present the 48th Annual Report of the Company together with the audited financial statements of the Company for the year ended December 31, 2010.

Financial Highlights

(Rs. in million)

Year	2010	2009
TOTAL INCOME (Net)	10,653.5	8,264.2
Gross Operating Profit (Earning before depreciation, interest, tax and prior period adjustments)	2,054.4	1,318.8
Depreciation / Amortisation	201.1	200.8
Interest (Net)	8.9	7.0
Prior period adjustments	25.6	115.2
PROFIT BEFORE TAX	1,818.8	995.8
Provision for Tax	603.8	340.4
PROFIT AFTER TAX	1,215.0	655.4
Balance brought forward	2,609.7	2,291.8
Profit available for appropriation	3,824.7	2,947.2
APPROPRIATIONS		
Proposed dividend	83.1	74.8
Income tax on dividend	14.1	12.7
Transfer to General Reserve	350.0	250.0
Balance carried to Balance Sheet	3,377.5	2,609.7
	3,824.7	2,947.2



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 30% (2009: 7%) 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, 2010 at the rate of Rs. 5 (2009: Rs. 4.5) per equity share amounting to Rs. 83.1 million (2009: Rs. 74.8 million).

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



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 / unclaimed dividend pertaining to the year ended on December 31, 2002 amounting to Rs. 420,451/- (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. Avinash Gandhi and Mr. Moreshwar Garde will retire by rotation and being eligible, offer themselves for re-appointment in terms of the Articles of Association of the Company. A brief resumé/particulars relating to them is given separately under the report on Corporate Governance. Your Directors recommend their re-appointment at the forthcoming Annual General Meeting.

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 22, 2010.

As on December 31, 2010, Mr. R. Sampath Kumar, Mr. Kamlesh Tapadar and Mr. Yezad Kapadia are the Alternate Directors for Mr. Frank Huber, 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 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)

Auditors

The Statutory auditor of the Company for the year 2011 shall be appointed or re-appointed as the case may be, in 48th Annual General Meeting to be held on Thursday, 21st day of April 2011, pursuant to the provisions 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, 2010 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 17, 2011



Management Discussion and Analysis

Annexure to the Directors' Report

A Industry Structure and Developments

The size of Indian Bearings market is estimated at around Rs. 80 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. 37 billion.

Indigenous bearing manufacturers which hitherto focussed on small and medium diameter range bearings consumed by large volume industries like Automotive, Electrical Engineering and Rail have been expanding their manufacturing footprints to include large size bearings.

It is difficult to arrive at an accurate estimation of production of unorganised sectors as there are a number of players 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 for spurious (counterfeit) products and thus pose a severe threat - both to bearing companies and to consuming industries.

Original Equipment Manufacturers (OEMs) account for approximately 60% to 65% of the total bearings demand while the rest is supplied to Aftermarket. Automotive Industry is the largest consumer of bearings among OEMs - while Electrical Engineering, Power Transmission, Rail Production Machineries and Wind are among other important user sectors.

During the period April - December 2010, India's GDP growth averaged at 8.6% with quarterly development as follows:

Period	April - June 2010	July - September 2010	October - December 2010
% GDP growth over last year	8.9%	8.9%	8.2%

Industrial Production during April - December 2010 also rose by 8.6%. Developments in Mining, Manufacturing and Electricity sectors were placed at 7.7%, 9.1% and 4.7% respectively.

The Automotive industry saw one of the strongest periods of demand in 2010.

Estimated
Indian Bearings
Market Size
**Rs. 80
billion**

Automotive
Industry is the
**largest
consumer**
of bearings
among OEMs



Production of Automotive Industry April - December 2010

Category	Number of Vehicles in thousands		% Growth
	Year 2010	Year 2009	
Two - Three Wheelers	10,448	8,040	30%
Passenger Cars & MUVs	2,134	1,671	28%
Light Commercial Vehicles	288	214	34%
Medium and Heavy Vehicles	243	162	50%

Source: SIAM

B Opportunities

GDP growth slowed down to 8.2% in Quarter III - 2010. It is still expected that the overall growth during 2010-11 will exceed 8.5%. Forecast for 2011-12 is also placed at ~8.5%

While trend in Industrial Production remains positive, developments in the six core sector industries comprising crude oil, petroleum refineries, coal, electricity, cement and steel showed less impressive growth at ~ 5.3% during the period April - December 2010 over corresponding period in 2009. Cement production during the month of December 2010, actually shows a negative trend.

The growth trends in automotive industry remain positive, and the growth may stabilise at 12% to 15% in 2011. This augurs well for development of bearing demand from this sector in 2011 as well as in the medium term. The prospects for growth in Industry demand will range from moderate to good.

A steady growth in educated young population in India, expansion of middle class and trickle down effects of overall prosperity in rural areas, are good indicators of inclusive economic growth. The need for effective and efficient transportation both personal and public will rise more rapidly than before. At the same time, the 'value consciousness' of Indian middle class will mean that market growth will be mainly focused in areas of motorcycles and small cars at least during the medium term.

A large number of public and private investment programs in power sector manifest Indian government's priority to this sector. 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 for bearing products to continue in the coming future. The inflationary pressure on economy is very much a concern requiring urgent corrective steps to tame the inflation.

C Threats

Overall global scenario presents a mixed picture. Impact of political situation in Egypt and Libya on global economics are yet not known fully. Tragic details of vast destruction caused due to Earthquake and Tsunami in Japan are still not fully known - but it is clear that this will have its impact on Indian economy.

The growth trends in automotive industry remain positive, and the growth may stabilise at 12% to 15% in 2011.



Uncertainties on global oil prices remain an ongoing concern.

At home, inflationary trends in Indian economy remain un-arrested. Rising input costs including wage costs are a major concern towards retaining competitiveness on one side - besides inflation also leads to uncertainties in growth.

Over the last few years, there has been regular increase 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 pose another serious threat to Indian bearing manufacturers. These products are often sold at prices lower than raw material costs applicable to Indian bearing manufacturers. As the developed markets in US and Europe remain under recessionary pressure, 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 cooperation with competent agencies and BRBMA. 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 Schaeffler Group which reduce friction and enhance efficiency will attract robust demand in future.

Towards its efforts to improve productivity and plant utilisation, Indian industries will increasingly prefer parts which have better quality and high reliability. FAG Industrial Services (F'IS) supports MRO customers by providing not only quality products but also all the peripheral services and knowledge that help customers minimise plant breakdown and loss time.

The Company will continue to focus on quality and technology innovations besides further developing our Application Engineering and R&D capabilities to strengthen our competitiveness.

Dumping of Cheap bearings by Chinese manufacturers pose another serious threat

Counterfeit bearings account for 20% to 30%

FAG India will continue to focus on quality and technology innovations

D Segment wise performance

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

E Outlook

Recent data suggests that Indian economy is fast getting back to growth trajectory. Private and public investments in new projects will certainly increase as the business confidence improves. Demand for your Company's products in domestic market will thus grow in the coming years. At the same time there are concerns that



Indian economy is
fast regaining its
growth
trajectory

rising fiscal deficit, increasing inflation, sluggish growth of core sectors, uncertainties in global situation may slow down the growth prospects.

Notwithstanding the above 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 inflation and increasing steel prices will exert pressure on costs.

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 continuous improvement in all areas of our operations and help us respond to market dynamics effectively.

Your Company will continue to work on increasing localization 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.

Strong Internal Control Systems have been designed to prevent fraud and to safeguard Company's resources.

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 safeguard Company's resources but also protect shareholders' interest.

The Company has appointed an Audit Committee, which on regular intervals, in co-ordination with Internal and Statutory Auditors, reviews the adequacy of Internal Control System 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.

Our focus on
high quality of
products,
processes and
people
help us constantly
upgrade our
competitiveness
in the market



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.

H Financial Performance

Your Company delivered superior financial performance with improvement across key parameters. Turnover crossed Rs. 10,000 millions and reached to Rs. 10,400.8 millions, a growth of 30% over the previous year. Increase in revenue was due to the overall growth in Automotive and Industrial segments as well as significant growth in exports.

Profit before tax reached to Rs. 1,818.8 millions, a growth of 82% over the previous year. The increase is mainly attributable to the volume increase in sales as well as better sales/product mix and the continued focus on cost.

Your Company has been able to reap the benefits from the market by following a very structured financial policy with strong emphasis on cash and liquidity. Through focus on control over working capital and prudent approach on investment, the Company has been able to further improve its liquidity. This has resulted substantial increase in interest income by 118% over the previous year.

Profit before tax achieved an

82% rise and sales growth of

30% turnover of Rs. 10 billion

I Human Resources and Industrial Relations

Your 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 & technical institutes by providing training to their students in our training centre.

At the end of this year, the employees' strength was 1343.

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 Process), FFQ (Fit for Quality), Kaizen, Quality Circles, TQM (Total Quality Management), TPM (Total Preventive Maintenance) 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, development circles, etc. were introduced to support organisational growth through HR development.

At the end of this year, the employees' strength was

1,343

Industrial Relations during the year continued to be cordial and peaceful. The Directors place on record the excellent cooperation 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 on human capital development.

J 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 Employees. A mechanism to monitor adherence to its requirements is in place. The Board Members and Senior Management Employees 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.

4 Respect for 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) Initiatives towards occupational safety and health program 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

5 Social and Inclusive Development

- a) Education Awards & Certificate of Appreciation to employees' Children
- b) "Beti Bachao" Scheme launched and financial gift given to employees for (i) Birth of Girl child (ii) Marriage of Daughter
- c) Donations were given to many institutions, which are doing good service to society

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 17, 2011



Conservation of Energy, Technology Absorption, Foreign Exchange Earnings 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 2010

- 1 Mapping of high consumption motors to reduce energy cost across the plant, which includes replacing 250W Mercury Vapour Lamp with installation of 110 nos of 85W Spiral CFL Lamps.
- 2 The power factor has been maintained at 0.99 resulting in optimised utilisation of power.
- 3 The Capacity Development has been ensured by upgrading old machines and automated lines of assembly.
- 4 Inventory control is maximised to required levels.

B Technology Adaptation, Absorption & Innovation

The main focus of this year was on optimization of High Frequency drives and process measuring systems to reduce rework and scrap. The first time quality concept is widely focused with 'Fit for Quality' drive and 'zero defect' approach.

Technology Absorption

MOVE for elimination of waste across all production and service function has been adopted for a lean organisation.



C Foreign Exchange Earnings and Outgo

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

(Rs. in million)

Particulars	Year 2010	Year 2009
Earnings:		
Earnings in foreign exchange		
Service Income	1.7	4.7
FOB value of exports	996.8	541.8
Other	5.7	36.9
Total foreign exchange earned	1,004.2	583.4
Outgo:		
Imports CIF value of Raw materials, Components, Products purchased for Sale, Stores & Spares, Capital goods and intangible assets	3,326.5	2,233.9
Expenditure in foreign currency Interest on foreign currency loans, fees for use of technology, interest on foreign suppliers credit, professional fees and other expenses	318.9	349.8
Dividend paid to Shareholders (Net of tax)	38.4	38.4
Total foreign exchange used	3,683.8	2,622.1

For and on behalf of the Board

Avinash Gandhi
Chairman

Mumbai: February 17, 2011

CORPORATE GOVERNANCE REPORT



Annexure to the Directors' Report



1 COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed to and continues to practise good corporate governance. The core principles of corporate governance include:

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 on 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 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 Meeting held in 2010 (Physical)	The last AGM Attended: 'Yes' or 'No'
			As on December 31, 2010			
Mr. Avinash Gandhi	00161107	NE & ID	10	6 (3)	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	–	1	No
Mr. Bruno Krauss (from February 11, 2010)	02946930	NE & NID	1	–	4	Yes
Mr. Bernhard Steinruecke	01122939	NE & ID	5	2	3	Yes
Dr. Vidya Sagar	00047326	NE & NID	1	2	4	Yes
Mr. Moreshwar Garde	00689103	NE & ID	2	2(1)	4	Yes
Mr. R. Sampath Kumar (Alternate to Mr. Huber)	00495192	NE & NID	1	–	4 (including 1 as Invitee)	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 Meeting held in 2010 (Physical)	The last AGM Attended: 'Yes' or 'No'
			As on December 31, 2010			
Mr. Kamlesh Tapadar (Alternate to Mr. Krauss) (from February 11, 2010)	00161186	NE & ID	1	—	4 (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 Directors:

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 a 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 has a vast experience in insurance and management related affairs and 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'. Dr. Vidya Sagar is a lawyer and partner in the firm 'Remfry & Sagar', Attorneys-at-Law, rendering legal services to the "Schaeffler Group" and is a Non-Independent Director.

(vii) Alternate Directors:

Mr. Yezad Kapadia, Mr. Kamlesh Tapadar and Mr. R. Sampath Kumar are appointed as alternate directors of Mr. Wolfgang Dangel, Mr. Bruno Krauss and Mr. Frank Huber 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.

Profile of Directors seeking Appointment / Re-appointment in 48th Annual General Meeting (under Section 255 - 256 of the Companies Act, 1956)

	1 Name	Mr. Avinash Gandhi
	Father's Name	Mr. Sitaram Gandhi
	Date of Birth	October 1, 1938
	DIN	00161107
	Email ID	avinashgandhi@rediffmail.com
	Qualification	B.Sc. in Mechanical Engineering

CORPORATE GOVERNANCE REPORT



Annexure to the Directors' Report



Profession / Occupation / Specialisation He was President and Director of Hyundai Motor India Limited. He had served at very senior positions in reputed organisations like Escorts, Telco and the Indian Ordnance Factories.

Association Since 2002 with FAG Bearings India Limited.

Category Non-Executive and Independent.

- | | |
|------------------------------|--------------------------------|
| 1. FAG Bearings India Ltd. | 6. Continental Engines Ltd. |
| 2. Lumax Industries Ltd. | 7. Minda Corporation Ltd. |
| 3. Fairfield Atlas Ltd. | 8. Indo Alusys Industries Ltd. |
| 4. UNI Products (India) Ltd. | 9. Clutch Auto Ltd. |
| 5. Havell's India Ltd. | 10. MLR Auto Ltd. |

Membership of Committees^{\$}

1. FAG Bearings India Ltd.	– Audit Committee - Chairman
2. Lumax Industries Ltd.	– Audit Committee - Chairman
3. Fairfield Atlas Ltd.	– Audit Committee - Chairman
4. Clutch Auto Ltd.	– Audit Committee - Member
5. Havells India Ltd.	– Audit Committee - Member
6. Minda Corpn. Ltd.	– Audit Committee - Member



2 Name Mr. Moreshwar Digambar Garde

Father's Name Mr. Digambar Garde

Date of Birth September 19, 1945

DIN 00689103

Email ID md.garde@yahoo.co.in

Qualification Master of Business Administration (MBA)
FIII (Member of Insurance Institute of India)
IRDA's Composite Brokers Exam
BE (Electrical)

Profession / Occupation / Specialisation Consultant (Insurance & Management),
Visiting Faculty: Mumbai Education Trust,
National Insurance Academy,
International School of Business & Media,
Balaji Management Institute,
Specialisation: Insurance & Management Affairs

Association Since 2002 with FAG Bearings India Limited.

Category Non-Executive and Independent

Directorships* 1. FAG Bearings India Ltd. 2. Gujarat Petresynthese Ltd.

Membership of Committees^{\$} FAG Bearings India Ltd.
1. Audit Committee - Member
2. Investors' Grievance / Share Transfer Committee - Chairman

* Directorship means directorship in Indian 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 Schaeffler Technology GmbH & 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 2010

In all, four Board Meetings were held during 2010 on the following dates:

Board Meeting (s)	I	II	III	IV
Dates	February 11	April 22	July 23	October 22
Start Timing	11.15 AM	11.15 AM	11.30 AM	12.00 PM
Venue	Mumbai	Mumbai	New Delhi	China

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

D) Board Procedure

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

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 paper 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 & any updates.
2. Capital budgets & any updates.
3. Quarterly results of the Company & its operating divisions or business segments.
4. Minutes of meetings of Audit Committee & other committees of the board.
5. The information on recruitment & 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 problems.
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 & 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 2010 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 between 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	Dr. Vidya Sagar	Member	Non-Independent & Non-executive
4	Mr. Moreshwar Garde	Member	Independent & Non-executive

The Company Secretary is the Secretary of the Audit Committee.

- B) Details of the Audit Committee Meetings held during 2010 are as follows:

Audit Committee Meeting(s)	I	II	III	IV
Date	February 11	April 22	July 23	Oct. 22
Start Timing	10.15 AM	10.15 AM	10.30 AM	11.00 AM
Venue	Mumbai	Mumbai	New Delhi	China
Attended by Members	Mr. Gandhi Dr. Sagar Mr. Steinruecke Mr. Garde	Mr. Gandhi Dr. Sagar Mr. Steinruecke Mr. Garde	Mr. Gandhi Dr. Sagar Mr. Steinruecke Mr. Garde	Mr. Gandhi Dr. Sagar Mr. Garde

The meetings of the Audit Committee were also attended by the Managing Director, the Chief Financial Officer, the Company Secretary and the Internal Auditor. 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 47th Annual General Meeting held on Thursday, April 22, 2010.

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

1. Management Discussion and Analysis of financial condition and results of operations.
2. Statement of significant related party transactions (as defined by the audit committee) submitted by the Management.
3. Management letters / letters of internal control weaknesses issued by the statutory auditors.
4. Internal Audit reports relating to internal control weaknesses.

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 Committee acts as a link between 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 and approval of the Board by way of circular resolution in the month of May 2010, the details of remuneration paid / payable during the year to the Managing Director are as follows:

(Rs. in million)

Salary & Performance Bonus	Allowance & Perquisites	Company's contribution to funds	Total
4.3	2.3	0.7	7.3

Notes:

- a) Performance Bonus is variable subject to maximum limit of Rs. 0.39 Million.
- b) 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.
- c) The Company does not have any Stock Option Scheme as at December 31, 2010.

The remuneration limit of Mr. Rajendra Anandpara for the period up to and including 2014 will be in accordance with the 'Employment Agreement' and 'Supplement Agreement' and the annual increment for the year 2011 will be decided by the Board of the Company.

Remuneration to the Non-executive Directors

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

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Name of the Directors	Number of Meetings attended			Amount (Rs.)
	Board	Audit Committee	Investors' Grievance / Share Transfer Committee	
Mr. Avinash Gandhi	4	4	–	74,000
Dr. Vidya Sagar	4	4	2	86,000
Mr. Bernhard Steinruecke	3	3	–	51,000
Mr. Moreshwar Garde	4	4	2	86,000
Mr. R. Sampath Kumar	3*	–	–	35,000
Mr. Yezad Kapadia	–	–	–	–
Mr. Kamlesh Tapadar	–	–	–	–
Total				332,000

* Number of Board Meetings attended in the capacity of Alternate Director and not as an invitee

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 or its Management, which, in the judgment of the Board, would 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 2010 are as follows:

1. Professional consultation fees (excluding Service Tax and reimbursement of expenses) paid / payable to Mr. Avinash Gandhi is Rs. 500,000.
2. Rs. 80,000 was paid to relatives of Mr. Avinash Gandhi towards rent.
3. Professional consultation fees paid / payable to Mr. Bernhard Steinruecke is Rs. 300,000.
4. Professional consultation fees paid / payable to Mr. Moreshwar Garde is Rs. 300,000.

Directors' Shareholding in the Company

Except alternate director Mr. Kamlesh Tapadar, who holds 75 shares, no other director holds shares of the Company as on December 31, 2010.

5 INVESTORS' GRIEVANCE / SHARE TRANSFER COMMITTEE

The Committee comprised one Executive Director and two Non-executive Directors as on December 31, 2010. 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 2010 are as follows:

Meeting(s)	I	II
Date	February 11	July 23
Start Timing	12.45 PM	12.30 PM
Venue	Mumbai	New Delhi
Attended by Members	Mr. Moreshwar Garde Mr. Rajendra Anandpara Dr. Vidya Sagar	Mr. Moreshwar Garde Mr. Rajendra Anandpara Dr. Vidya Sagar

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



During 2010, seven (7) 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, 2010.

6 GENERAL BODY MEETINGS

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

Particular	Meetings		
	47th AGM	46th AGM	45th AGM
Date	April 22, 2010	April 24, 2009	April 17, 2008
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.		
Resolutions passed			
Ordinary Business:			
1 Adoption of Accounts	As at 31.12.2009	As at 31.12.2008	As at 31.12.2007
2 Declaration of Dividend	45%	40%	40%
3 Re-appointment of Rotational	Mr. F. Huber	Dr. V. Sagar	Mr. F. Huber
4 Directors under Section 256	Mr. B. Steinruecke	Mr. D. Heinrich	Mr. A. Gandhi
5 Appointment of Auditors & to fix their remuneration	Mohinder Puri & Co., Chartered Accountants, New Delhi.		
Special Businesses:			
Appointment of Directors under Section 257	Mr. B. Krauss Mr. R. Anandpara	Mr. M. Garde / Mr. W. Dangel	Mr. T. Hetmann
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 48th 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.



- (v) 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 2010.

d) 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.

e) Voluntary Guidelines

The Ministry of Corporate Affairs has issued a set of Voluntary Guidelines on 'Corporate Governance' and 'Corporate Social Responsibility' in December, 2009. Some of the provisions of these guidelines are already in place as reported elsewhere in this Report. The other provisions of these guidelines are being evaluated and if practicable, would be adopted in a phased manner.

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.com, 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 under "Corporate Filing and Dissemination System (CFDS)".

The Company 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) 48th Annual General Meeting is scheduled to be held

On: Thursday, the 21st day of April 2011

At: 3.00 p.m.

At: Kamalnayan Bajaj Hall

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

(ii) Financial Year

A twelve month period starting from January 1, 2011 to December 31, 2011.



Financial Reporting for:

- | | |
|--|---|
| a) 1st quarter ending March 31, 2011 | - by the end of April 2011 |
| b) 2nd quarter & half year ending June 30, 2011 | - by the end of July 2011 |
| c) 3rd quarter ending September 30, 2011 | - by the end of October 2011 |
| d) 4th quarter and year ending December 31, 2011 | - by the end of January / February 2012 |

Note: The above dates are indicative.

(iii) Date of Book Closure

April 1, 2011 to April 5, 2011 (Both days inclusive)

(iv) Dividend

The Dividend for the year 2010 may be declared under agenda item no. 2 of forthcoming 48th Annual General Meeting scheduled on April 21, 2011, and shall be paid within the time limit prescribed in the Companies Act, 1956.

(v) Audit in 2010

Sr. No.	Audits	Auditors in 2010	Audit Firm
1	Statutory Audit	Statutory Auditors	Mohinder Puri & Co. Chartered Accountants, New Delhi
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 up to March 2011.

(vii) Custodial Fee to Depositories

The Company has paid custodial fees for the year 2010 - 2011 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

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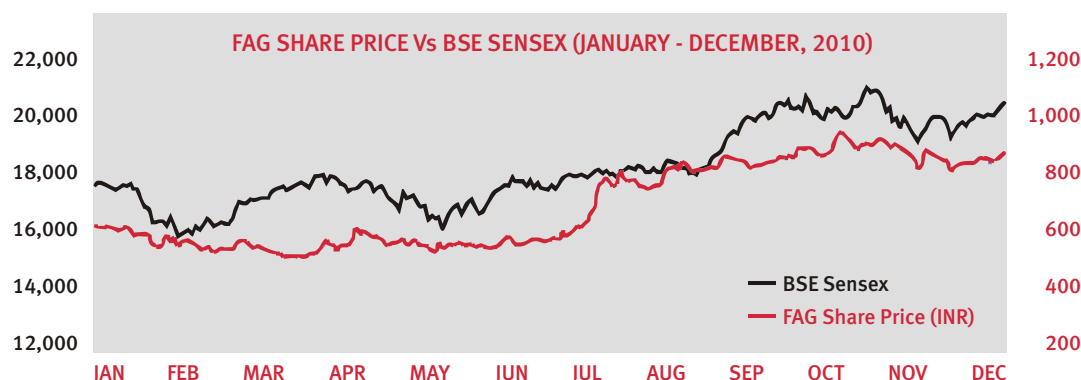
(ix) Market Price Data

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

For the Year 2010	Equity Shares			
	Bombay Stock Exchange Ltd. (BSE)		National Stock Exchange of India Ltd. (NSE)	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
January	634.85	540.10	635.00	530.15
February	599.60	521.05	588.00	518.00
March	573.00	500.20	573.50	502.00
April	625.00	515.05	625.90	510.10
May	580.00	525.00	585.00	521.10
June	599.00	508.10	648.80	523.00
July	810.00	554.05	812.40	539.00
August	847.00	742.00	849.90	710.00
September	873.80	801.10	910.00	758.00
October	980.00	830.00	980.00	826.10
November	930.00	801.00	939.00	797.30
December	905.00	803.05	909.90	802.00

(x) Stock Performance

The performance of the Company's shares relative to the BSE Sensitive Index for the year 2010 is given below:



(xi) Registrar and Share Transfer Agent (RTA)

The details are as under:

Name:	Link Intime India Private Ltd.		
Address:	B-102 & 103, Shangrila Complex, Opp. HDFC Bank, Nr. Radhakrishna Char Rasta, Akota, Vadodara (Gujarat) - 390 020, India.		
Phone No.:	+91-265-2250 241, 2252 875	Fax No.:	+91-265-2250 246
E-mail:	vadodara@linkintime.co.in	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.



(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, 2010 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, 2003 will, as on June 4, 2011, be transferred to 'Investor Education and Protection Fund' (IEPF) a fund constituted by the Central Government under Section 205C of the Companies Act, 1956.

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 31.12.2010
31.12.2003	29.04.2004	04.06.2011	438,218.00
31.12.2004	28.04.2005	03.06.2012	354,807.00
31.12.2005	20.04.2006	26.05.2013	338,505.50
31.12.2006	26.04.2007	01.06.2014	406,304.00
31.12.2007	17.04.2008	25.05.2015	390,648.00
31.12.2008	24.04.2009	31.05.2016	468,796.00
31.12.2009	22.04.2010	29.05.2017	515,336.00
Total amount lying unpaid as on December 31, 2010			2,912,614.50

(xiv) Distribution of Shareholding:

(As on December 31, 2010)

Analysis of Shareholding	2010		2009	
	Number of Shareholders	Number of Shares held	Number of Shareholders	Number of Shares held
1 - 50	3,832	85,374	3,109	75,164
51 - 100	1,442	124,879	1,455	125,685
101 - 250	1,212	208,741	1,294	220,877
251 - 500	645	241,783	688	257,506

Continued...

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Continued...

	2010		2009	
Analysis of Shareholding	Number of Shareholders	Number of Shares held	Number of Shareholders	Number of Shares held
501 - 1000	386	287,655	392	293,127
1001 - 5000	275	595,652	265	588,658
5001 and above	84	15,073,186	73	15,056,253
Total	7,876	16,617,270	7,276	16,617,270

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 Ltd., on which the auditors have relied.

Category wise summary of Shareholding

Sr. No.	Category	Number of Shareholders	Number of Shares	%
1	Foreign Company (FAG Kugelfischer GmbH)	1	8,529,183	51.33
2	Foreign institutional investor	18	2,291,693	13.79
3	Public	7,436	1,912,443	11.51
4	Mutual Fund	17	1,806,062	10.87
5	Other Bodies Corporate	235	1,736,600	10.45
6	Insurance Companies & LIC	3	304,218	1.83
7	Trusts	1	603	0.00
8	Clearing Member (Brokers / others)	40	8,924	0.05
9	Non-resident Indians (Repatriable)	72	15,195	0.09
10	Non-resident Indians (Non-repatriable)	35	6,154	0.04
11	Foreign Financial Institutions	7	3,360	0.02
12	Unit Trust of India	2	1,250	0.01
13	Nationalised Banks & Financial Institution	5	1,245	0.01
14	Non-nationalised Banks	4	340	0.00
	Total	7,876	16,617,270	100.00

(xv) Top Ten Shareholders with their Shareholdings

Sr. No.	Name of Shareholders	Category*	Number of Shares held as on 31.12.2010	% of total paid up Share Capital
1	FAG Kugelfischer GmbH	Promoter	8,529,183	51.33
2	ICICI Prudential Life Insurance Company Ltd.	MF	1,203,343	7.24
3	Acacia Partners, LP	FII	826,188	4.97
4	Sundaram BNP Paribas Mutual Fund	MF	700,853	4.22
5	Acacia Institutional Partners, LP	FII	559,253	3.37
6	Comgest Growth PLCA/C	FII	271,075	1.63

Continued...



Continued...

Sr. No.	Name of Shareholders	Category*	Number of Shares held as on 31.12.2010	% of total paid up Share Capital
7	The New India Assurance Co. Ltd.	Ins.	244,168	1.47
8	FIL Trustee Company Private Ltd. A/C Fidelity India Special Situations Fund	MF	225,435	1.35
9	HDFC Trustee Company Ltd.	MF	208,464	1.25
10	Shree Capital Services Ltd.	Body Corporate	275,682	1.66
Total			13,043,644	78.49

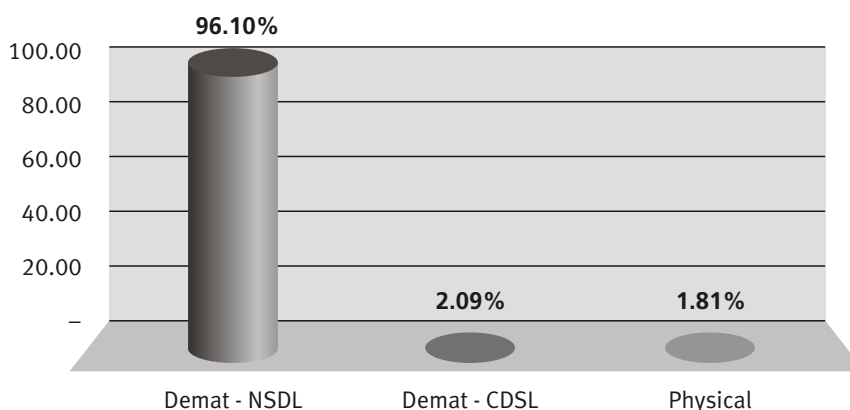
* MF - Mutual Fund, FI - Financial Institutions, FI - Foreign Institutional Investor.

(xvi) Dematerialisation of Shares and Liquidity

98.19% of the Paid-up Equity Share Capital is held in Dematerialised form with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CSDL) as on December 31, 2010.

Status of Shares	No. of Shares as on 31.12.2010	%
Demat - NSDL	15,968,339	96.10
Demat - CDSL	347,835	2.09
Physical	301,096	1.81
Total	16,617,270	100.00

Dematerialisation Status



(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, Gujarat State.



(xix) Shareholders plant visit

The Company organised plant visit for its shareholders on December 11, 2010. Considering the logistics and other arrangements, only limited number of shareholders were shortlisted under well informed criteria. The shareholders were welcomed by the Chairman and Management Team. The Managing Director Mr. Rajendra Anandpara presented the Company's growth history, performance trend, Company's product range, customer base and challenges ahead. During the plant visit, technical team briefed them about various processes and products. Shareholders appreciated the arrangements and Company's Management.

(xx) Address for correspondence

Shareholders / Beneficial owners are requested to correspond with the Company's RTA (Registrar & Share Transfer Agent) as shown in para (xi) 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), 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: +91-265-6602 000 / 2004 • Fax: +91-265-2638 804
E-mail: raj.sarraf@schaeffler.com

(xxi) Information through internet / Company's website

The information pertaining to financial performance, shareholding pattern, compliance with Corporate Governance and announcements are being uploaded and can be viewed by the general public on www.corpfiling.co.in. Apart from this, the Company's websites www.fag.com, www.fag.co.in contain 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.

(xxii) Other useful information to shareholders

ECS / NECS Facility

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

In terms of notification issued by the Reserve Bank of India, with effect from 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.

(xxiii) 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.

(xxiv) The Management Discussion and Analysis Report for the year ended on December 31, 2010 forms part of the Annual Report.

For and on behalf of the Board

Avinash Gandhi
Chairman

Mumbai: February 17, 2011

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, 2010.

Mumbai: February 17, 2011

Rajendra Anandpara
Managing Director

**To the Members of FAG Bearings India Limited**

We have examined the compliance of conditions of Corporate Governance by FAG Bearings India Limited for the year ended on December 31, 2010 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 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 statements 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, 2010, 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.

For Samdani Kabra & Associates

Company Secretaries
S. Samdani
Partner
FCS/CP No. 3677 / 2863

Vadodara: February 17, 2011



To,
The Board of Directors

We hereby certify that,

- a) We have reviewed Financial Results for the year ended December 31, 2010 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, 2010.
 - (ii) Significant changes in accounting policies during the year ended December 31, 2010.
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's Internal Control System over financial reporting.

For FAG Bearings India Limited

Rajendra Anandpara
Managing Director

Satish Patel
Chief Financial Officer

February 17, 2011

to the members of FAG Bearings India Limited

We have audited the attached Balance Sheet of FAG Bearings India Limited, as at December 31, 2010 and also the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date. 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 the 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.

- 1) As required by the Companies (Auditors' Report) Order, 2003 as amended by the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, (referred to as the "Act") we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 2) 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 such 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 Companies Act, 1956;
 - e) on the basis of written representations received from the directors, as on December 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2010 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - 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 Companies Act, 1956, 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, 2010,
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **Mohinder Puri & Co.**
Chartered Accountants
Firm No. 000204N

Vikas Vig
Partner
Membership No. 16920
Mumbai: February 17, 2011

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S REPORT TO THE MEMBERS OF FAG BEARINGS INDIA LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

- I (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The Company has a regular programme of physical verification of fixed assets which, in our opinion is reasonable. The assets which were to be covered as per the said programme, have been physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
(c) There was no disposal of substantial part of fixed assets during the year.
- II (a) The inventories have been physically verified by the management during the year at reasonable intervals.
(b) In our opinion and according to the information and explanations given to us, the procedures of 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) On the basis of our examination of the records of the inventory, we are of the opinion that the Company is maintaining proper records of inventory. According to the information and explanations given to us, no material discrepancies were noticed on physical verification between the physical stock and the book records.
- III The Company has not taken / granted any loans, secured or unsecured from / to Companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence, the provisions of Clause 4(iii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company.
- IV In our opinion and according to the information and explanations given to us, having regard to the explanation that some of the items are of a special nature and comparable alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system in respect of these areas.
- V The Company has not entered into any transactions with any Companies, firms or other parties which are required 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 Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975, with regard to the deposits accepted from the public in earlier year/s which have remained unclaimed. We have been informed that during the year, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in respect of such deposits.
- VII The Company has a dedicated internal audit department carrying out Internal Audits. 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 made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.

- IX** (a) According to the information and explanations given to us and according to the records of the Company, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, value added tax, wealth tax, service tax, octroi, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, value added tax, wealth tax, service tax, octroi, custom duty, excise duty, cess and other material statutory dues applicable to it were in arrears as at the Balance Sheet date for a period of more than six months from the date they became payable.
- (c) As explained to us and according to the records of the Company, the following dues as at the year end of income tax / sales tax / value added tax / wealth tax / service tax / custom duty / excise duty / cess have not been deposited on account of dispute:

Name of the Statute	Nature of the Dues	Due as at the year end (Rs. in million)	Period to which the amount relates	Forum where dispute is pending
The Income Tax Act, 1961	Income Tax	47.2	AY 2006-07	Income Tax Appellate Tribunal
The Central Sales Tax Act, 1956	Sales Tax	2.4	2002	Gujarat VAT Tribunal
The Central Sales Tax Act, 1956	Sales Tax	9.0	January 2003 to December 2003	Joint Commissioner of Sales Tax (Appeals)
The Central Sales Tax Act, 1956	Sales Tax	1.8	2003-04	Deputy Commissioner of Sales Tax (Appeals), Mumbai
The Bombay Sales Tax Act	BST (excluding interest)	0.5	2003-04	Deputy Commissioner (Appeals), Mumbai
The Central Sales Tax Act, 1956	Sales Tax (including interest)	19.6	2004	Joint Commissioner of Sales Tax (Appeals)
The Central Sales Tax Act, 1956	Sales Tax (including interest)	0.7	2004-05	Sales Tax Authority, Pune
The Bombay Sales Tax Act	BST (including interest)	0.2	2004-05	Sales Tax Authority, Pune
The Central Sales Tax Act, 1956	Sales Tax	12.3	2006-07	Joint Commissioner (Appeals)
The Central Excise Act, 1944	Excise Duty (including penalty and interest)	35.0*	April 2003 to June 2010	Commissioner (Appeals)

*Rs. 23.7 million since deleted on account of favourable order dated January 13, 2011.

- X** The Company does not have accumulated losses. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- XI** As the Company has no amount due to any financial institution, bank or debenture holder the provisions of Clause 4(xi) of the Order, are not applicable to the Company.



- XIII** As the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, the provisions of Clause 4(xii) of the Order are not applicable.
- XIII** As the Company is not a chit fund / nidhi / mutual benefit fund / society, the provisions of Clause 4(xiii) of the Order are not applicable.
- XIV** Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts of dealings or trading in shares, securities, debentures and other investments with timely entries in those records. We also report that the Company has held the shares, securities, debentures and other investments in its own name.
- 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** As the Company has not obtained any term loans, the provisions of Clause 4(xvi) of the Order are not applicable.
- XVII** According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
- XVIII** According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties or Companies covered in the register maintained under Section 301 of the Act.
- XIX** As the Company has not issued any debentures, the provisions of Clause 4(xix) of the Order are not applicable.
- XX** As the Company has not raised any money during the year by way of public issue, the provisions of Clause 4(xx) of the Order are not applicable.
- XXI** Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **Mohinder Puri & Co.**
Chartered Accountants
Firm No. 000204N

Vikas Vig
Partner
Membership No. 16920
Mumbai: February 17, 2011

BALANCE SHEET



As at December 31, 2010

(Rs. in million)

	SCHEDULE	31.12.2010	31.12.2009
(I) SOURCES OF FUNDS			
(1) Shareholders' funds:			
(a) Capital	1	166.2	166.2
(b) Reserves and surplus	2	5,568.4	4,451.2
		5,734.6	4,617.4
(2) Deferred tax liabilities (Net) [Note 18]		29.3	45.1
Total		5,763.9	4,662.5
(II) APPLICATION OF FUNDS			
(1) Fixed assets:	3		
(a) Gross block		4,189.9	4,132.1
(b) Less: Depreciation		2,779.9	2,716.0
(c) Net block		1,410.0	1,416.1
(d) Capital work-in-progress		61.7	44.0
(e) Capital advances		24.3	24.3
		1,496.0	1,484.4
(2) Investments	4	3.2	3.2
(3) Current assets, loans and advances:			
(a) Inventories	5	1,270.2	1,007.3
(b) Sundry debtors	6	1,314.5	1,089.1
(c) Cash and bank balances	7	2,880.1	1,730.7
(d) Other current assets	8	53.2	13.1
(e) Loans and advances	9	758.4	769.2
		6,276.4	4,609.4
Less: Current liabilities and provisions:			
(a) Current liabilities	10	1,788.8	1,230.9
(b) Provisions	11	222.9	203.6
		2,011.7	1,434.5
Net current assets		4,264.7	3,174.9
Total		5,763.9	4,662.5
Statement of significant accounting policies	15		
Notes to the accounts	16		

Per our report attached
For **Mohinder Puri & Co.**
Chartered Accountants

Vikas Vig
Partner
Membership No. 16920
Mumbai: February 17, 2011

Avinash Gandhi
Chairman

Satish Patel
Chief Financial Officer

Rajendra Anandpara
Managing Director

Raj Sarraf
Company Secretary

Mumbai: February 17, 2011

PROFIT AND LOSS ACCOUNT



for the year ended December 31, 2010

(Rs. in million)

	SCHEDULE	Year 2010	Year 2009
INCOME			
Sales turnover (Gross)		11,127.2	8,454.5
Less: Excise duty		726.4	477.6
Sales turnover (Net)		10,400.8	7,976.9
Other income	12	252.7	287.3
		10,653.5	8,264.2
EXPENDITURE			
Manufacturing and other expenses	13	8,599.1	6,945.4
Depreciation / Amortisation [Note 2 (a)(ii)]		201.1	200.8
Interest	14	8.9	7.0
		8,809.1	7,153.2
PROFIT FOR THE YEAR BEFORE PRIOR PERIOD ADJUSTMENTS AND TAX		1,844.4	1,111.0
Prior period adjustments [Note 26]		(25.6)	(115.2)
PROFIT BEFORE TAX		1,818.8	995.8
Less: Provision for tax			
(a) Current tax		618.0	351.5
(b) Deferred tax		(15.8)	(12.6)
(c) Fringe benefit tax		–	1.5
Tax adjustments for earlier years (Net)		1.6	–
		603.8	340.4
PROFIT AFTER TAX		1,215.0	655.4
Balance brought forward from earlier year		2,609.7	2,291.8
Available for appropriation		3,824.7	2,947.2
APPROPRIATIONS:			
Proposed dividend		83.1	74.8
Income tax on dividend		14.1	12.7
Transferred to general reserve		350.0	250.0
Balance carried to Balance Sheet		3,377.5	2,609.7
Earnings per equity share of nominal value of Rs. 10 each: Basic and diluted [Note 21]		73.11	39.44
Statement of significant accounting policies	15		
Notes to the accounts	16		

Per our report attached to the Balance Sheet
For **Mohinder Puri & Co.**
Chartered Accountants

Vikas Vig
Partner
Membership No. 16920
Mumbai: February 17, 2011

Avinash Gandhi
Chairman

Satish Patel
Chief Financial Officer

Mumbai: February 17, 2011

Rajendra Anandpara
Managing Director

Raj Sarraf
Company Secretary

CASH FLOW STATEMENT



for the year ended December 31, 2010

(Rs. in million)

PARTICULARS	Year 2010		Year 2009	
CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit for the year before tax		1,818.8		995.8
Adjustment for non-cash item / items required to be disclosed separately:				
Depreciation / Amortisation	201.1		200.4	
Interest expenses	8.9		7.0	
Loss / (Profit) on sale / write off of fixed assets (Net)	–		1.6	
Unrealised exchange loss / (Gain) (Net)	49.7		34.6	
Interest income including interest on investment	(166.7)		(76.4)	
Loss / (Profit) on sale of investments (Net)	(2.1)		–	
Provision for doubtful debts / advances	1.8		(11.2)	
Bad debts written off	0.2		2.2	
Provision for Gratuity / leave encashment	7.3		13.1	
Provision for warranty	(1.0)		0.3	
Provision for diminution in value of long term investment	–		–	
Provision no longer required written back	(5.0)		(41.8)	
Prior period adjustments	25.6		115.2	
		119.8		245.0
Operating profit before changes in working capital		1,938.6		1,240.8
Adjustment for changes in Working Capital and Provisions:				
Trade and other receivables	(236.3)		215.3	
Inventories	(262.9)		585.6	
Trade and other payables	494.4		90.0	
		(4.8)		890.8
Cash generated from operations		1,933.8		2,131.6
Income tax including fringe benefit tax paid (Net of refunds)		(588.1)		(382.8)
Prior period adjustments		(25.6)		(115.2)
A Net cash from operating activities		1,320.1		1,633.6
CASH FLOW FROM INVESTING ACTIVITIES				
Fixed Assets (Note 1):				
Purchase	(197.2)		(78.4)	
Sale	3.4		0.8	
Intercompany Loans given	–		(450.0)	
Repayment of Intercompany Loans	–		22.5	
Interest received	119.5		61.1	
B Net cash used in investing activities		(74.3)		(444.0)
CASH FLOW FROM FINANCING ACTIVITIES				
Interest paid	(9.0)		(7.1)	
Dividend paid	(74.7)		(74.6)	
Tax on dividend paid	(12.7)		(12.7)	
C Net cash used in financing activities		(96.4)		(94.4)
Net change in cash and cash equivalents (A+B+C)		1,149.4		1,095.2
Cash or cash equivalents (Opening balance) (Note 2)		1,730.7		635.5
Cash or cash equivalents (Closing balance) (Note 2)		2,880.1		1,730.7
		1,149.4		1,095.2

CASH FLOW STATEMENT



for the year ended December 31, 2010

(Rs. in million)

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:

		31.12.2010	31.12.2009
Cash on hand		0.4	0.4
Cheques on hand		46.6	84.4
With scheduled banks on:			
Current accounts		423.1	255.4
Deposit accounts		2,410.0	1,390.5
		2,880.1	1,730.7

3. Previous year's figures have been regrouped wherever necessary to conform to the current year's classifications.

Per our report attached
For **Mohinder Puri & Co.**
Chartered Accountants

Vikas Vig
Partner
Membership No. 16920
Mumbai: February 17, 2011

Avinash Gandhi
Chairman

Rajendra Anandpara
Managing Director

Satish Patel
Chief Financial Officer

Raj Sarraf
Company Secretary

Mumbai: February 17, 2011

SCHEDULES



forming part of the accounts

(Rs. in million)



1 SHARE CAPITAL		31.12.2010	31.12.2009
Authorised: 20,000,000 Equity Shares of Rs. 10 each		200.0	200.0
Issued: 16,818,270 Equity Shares of RS. 10 each		168.2	168.2
Subscribed and paid up: 16,617,270 Equity Shares of Rs. 10 each fully paid [Note 1]		166.2	166.2
2 RESERVES AND SURPLUS		31.12.2010	31.12.2009
Revaluation reserve account [Note 2 (a)]: Per last Balance Sheet Less: Transferred to Profit and Loss Account for adjustment of depreciation	22.9		23.5
	0.6		0.6
			22.9
Securities premium account: Per last Balance Sheet		200.2	200.2
General Reserve: Per last Balance Sheet Add: Transferred from Profit and Loss Account	1,618.4		1,368.4
	350.0		250.0
			1,618.4
Profit and Loss Account		3,377.5	2,609.7
		5,568.4	4,451.2

SCHEDULES

FAG

forming part of the accounts

(Rs. in million)

3 FIXED ASSETS

Description	Gross Block				Depreciation / Amortisation				Net Block	
	As at Jan. 1, 2010	Additions	Deductions	As at Dec. 31, 2010	Upto Dec. 31, 2009	Additions	Deductions/ write back	Upto Dec. 31, 2010	As at Dec. 31, 2010	As at Dec. 31, 2009
1 Tangible assets										
a) Land-freehold [Note 2(a)(i)]	19.4	–	–	19.4	–	–	–	–	19.4	19.4
- Leasehold	110.6	6.4	–	117.0	–	–	–	–	117.0	110.6
b) Buildings and roads [Notes 2(a) & (b)]	235.9	5.2	–	241.1	86.0	7.0	–	93.0	148.1	149.9
c) Plant and machinery	3,607.6	167.3	128.8	3,646.1	2,530.3	187.5	127.9	2,589.9	1,056.2	1,077.3
d) Furniture, fittings & equipment	91.6	11.3	9.6	93.3	47.4	5.0	9.3	43.1	50.2	44.2
e) Motor vehicles	18.7	6.3	0.7	24.3	4.4	2.1	0.6	5.9	18.4	14.3
2 Intangible assets										
a) Software upgradation-acquired	35.2	0.4	–	35.6	34.8	0.1	–	34.9	0.7	0.4
b) Lumpsum fees for technical know-how	13.1	–	–	13.1	13.1	–	–	13.1	–	–
Total	4,132.1 (4,001.7)	196.9 (136.0)	139.1 (5.6)	4,189.9 (4,132.1)	2,716.0 (2,518.2)	201.7 (201.4)	137.8 (3.6)	2,779.9 (2,716.0)	1,410.0	1,416.1
Capital work-in-progress [Notes 2 (c)]									61.7	44.0
Capital advances									24.3	24.3
									1,496.0	1,484.4

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

4 INVESTMENTS

		31.12.2010	31.12.2009
Long term investments			
Non-trade:			
Investments in shares and bonds			
6 Nos. 11% Bonds 2011 of Rs.500,000 each in Steel Authority of India Limited (Quoted)	3.2		3.2
Trade (Unquoted):			
1,100,000 shares of Rs.10 each of FAG Roller Bearings Private Limited (An Associate Company)	11.0		11.0
		14.2	14.2
Less: Provision for diminution in value of investments		(11.0)	(11.0)
		3.2	3.2
Aggregate book value of quoted investments		3.2	3.2
Aggregate market value of quoted investments		3.2	3.2
Aggregate book value of investments - unquoted		11.0	11.0

SCHEDULES

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(Rs. in million)



5 INVENTORIES	31.12.2010	31.12.2009
Stores and spares	44.0	35.6
Loose tools	25.6	24.3
Raw materials and components	366.5	234.1
Finished goods - produced / purchased for sale	730.4	628.9
Work-in-progress	103.7	84.4
	1,270.2	1,007.3

6 SUNDRY DEBTORS (Considered good, unless otherwise stated)		31.12.2010	31.12.2009
Debts outstanding for a period exceeding six months:			
Secured	–		0.4
Unsecured - considered good	5.7		8.9
Unsecured - considered doubtful	5.0		4.2
		10.7	13.5
Other Debts:			
Secured	5.7		6.1
Unsecured - considered good	1,303.1		1,073.7
Unsecured - considered doubtful	5.6		4.6
		1,314.4	1,084.4
		1,325.1	1,097.9
Less: Provision for doubtful debts		(10.6)	(8.8)
		1,314.5	1,089.1

7 CASH AND BANK BALANCES		31.12.2010	31.12.2009
Cash on hand	0.4		0.4
Cheques on hand	46.6		84.4
		47.0	84.8
With scheduled banks on:			
Current accounts	423.1		255.4
Deposit accounts	2,410.0		1,390.5
		2,833.1	1,645.9
		2,880.1	1,730.7

FAG

(Rs. in million)

FAG BEARINGS INDIA LIMITED 12

SCHEDULES

FAG

forming part of the accounts

(Rs. in million)



11 PROVISIONS	31.12.2010	31.12.2009
Provision for tax less payments:		
Income tax	12.8	8.9
Fringe benefit tax	1.2	1.9
Wealth tax	0.4	0.3
Proposed dividend	83.1	74.8
Income tax on proposed dividend	14.1	12.7
Provision for gratuity	8.2	11.7
Provision for leave encashment	103.1	92.3
Provision for warranty	–	1.0
	222.9	203.6

12 OTHER INCOME		Year 2010	Year 2009
(i) Operating income			
Service income	5.8		8.9
Export incentives	27.0		15.3
Foreign exchange gain (Net) [Note 16]	–		120.7
Provisions no longer required written back	5.0		41.8
Profit on sale/write off of fixed assets (Net)	2.1		–
Depreciation written back	–		0.4
Others	45.2		22.9
		85.1	210.0
(ii) Non-operating income			
Rent	0.9		0.9
Interest:			
Bank	99.0		29.6
Others	67.4		46.5
[Tax deducted at source Rs. 17.8 million, (2009: Rs. 11.4 million)]			
Interest from trade investments - Gross:			
Long term investments	0.3		0.3
[Tax deducted at source Rs. Nil (2009: Rs. Nil)]			
		167.6	77.3
		252.7	287.3

FAG

(Rs. in million)

* Includes Expenditure on power enhancement Rs. Nil (2009: Rs. 87.1 million).

14 INTEREST	Year 2010	Year 2009
On other than fixed loans	8.9	7.0
	8.9	7.0

forming part of the accounts

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 and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations 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. Costs include financing costs of borrowed funds attributable to acquisition or construction of fixed assets, upto 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 or the useful life considered in the rates so prescribed.
- 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 undiscounted cash flows of next five years 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, except for scrap which is valued at 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 (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) Income from service contracts is recognised on the basis of the "completed contract method".
- (iii) Consultancy income on indenting business is recognised based on intimation received for sales made.
- (iv) Dividend income from investments is recognised when the Company's right to receive payment is established.
- (v) Interest income is accounted for on a time proportion basis taking into account the amount outstanding and the rate applicable.
- (vi) Claims are accounted to the extent lodged with the appropriate authorities. Export incentives are accounted on accrual basis based on shipment.
- (vii) Rental income is accounted for, on accrual basis.

I) Research and development

All revenue expenses pertaining to research and development are charged to the Profit and Loss Account in the year in which they are incurred and expenditure of capital nature is capitalised as fixed assets, and depreciated as per the Company's depreciation policy.

forming part of the accounts

J) Retirement benefits

Retirement benefit costs for the year are determined on the following basis:

- (i) 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.
- (ii) 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) Accrual for leave encashment benefit is made on the basis of a 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, deferred and fringe benefit tax. Current income tax and fringe benefit 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 earning per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

N) Provisions

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.

O) Cash and cash equivalents

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

16 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2010

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
	38.1

- (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 (2009: 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. 10.8 million (2009: Rs. Nil).

3) Loans and advances include:

- (i) Unsecured loan Rs. 38.5 million to FAG Roller Bearings Pvt. Ltd. an associate Company (2009: Rs. 38.5 million).
- (ii) Secured loan Rs. 450.0 million to INA Bearings India Pvt. Ltd. an associate Company (2009: Rs. 450.0 million).

4) Manufacturing and other expenses:

- (a) Outside processing charges incurred during the year are included in:
 - (i) Raw materials and components consumed Rs. 257.3 million (2009: Rs. 246.9 million).
 - (ii) Stores, spares and tools consumed Rs. 2.8 million (2009: Rs. 2.2 million).
- (b) Repairs to machinery exclude spares consumed Rs. 28.6 million (2009: Rs. 22.4 million) and payments to and provisions for employees Rs. 38.2 million (2009: Rs. 32.5 million) though related thereto.
- (c) (i) Managerial remuneration for the year is Rs. 8.7 million (2009: Rs. 8.7 million).

(Rs. in million)

(ii) The above includes the following:

a) Remuneration to Managing Director	Year 2010	Year 2009
Salary (including performance bonus)	4.3	4.8
Allowances & Perquisites	2.3	1.8
Contribution to Provident and Superannuation Fund**	0.7	0.8
Total	7.3	7.4

b) Consultancy Fee and Professional Charges for the services rendered by the Chairman and Independent Director Rs. 1.1 million (2009: Rs. 1.1 million).

c) Pursuant to provisions of Section 309(2) of the Companies Act, 1956 Directors' sitting fee was paid Rs. 0.3 million (2009: Rs. 0.2 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	1.6
Fees for IFRS Audit	1.2	1.2
Certification	1.0	0.9
Out-of-pocket expenses	0.1	0.1
	4.3	3.8

5) Contracts on Capital account:

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	172.8	206.2
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6) Contingent liabilities not provided for in respect of:

a) Claims against the Company not acknowledged as debts:

i) Employees and ex-employees related matters:

- Matters pending in Labour Court / Civil Court / High Court for reinstatement of service / recovery of salary Rs. 85.9 million (2009: Rs. 79.8 million);
- Applicability of provident fund on certain benefits to employees Rs. 125.8 million (2009: Rs. 100.1 million);
- Demand for discontinuing of contract system and for differential wages Rs. 73.4 million (2009: Rs. 64.4 million);
- Applicability of Employees State Insurance on certain benefits to employees etc. Rs. 5.2 million (2009: Rs. 4.5 million).

ii) Letters of Credit discounted Rs. 25.5 million (2009: Rs. 17.4 million).

b) Sales tax:

- i) For interest on tax paid under the Amnesty Scheme and for non receipt of C Forms in respect of assessment years 1995-96 to 2002 Rs. Nil (2009: Rs. 10.3 million).
- ii) 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, 2005-06 and 2006-07 Rs. 16.1 million (2009: Rs. 105.2 million).

c) Excise & Service Tax:

Excise Duty

- (i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities Rs. 11.9 million (2009: Rs. 29.2 million).

Service Tax

- (ii) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities Rs. Nil (2009: Rs. 60.6 million).
- (iii) 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. 2.4 million (2009: Rs. 0.9 million).

d) Income Tax:

- i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities Rs. 137.7 million (2009: Rs. 48.1 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. 202.2 million (2009: Rs. 202.2 million).

Future ultimate outflow of resources embodying economic effect in respect of matters stated above is uncertain as it depends on the final outcome of judgements / decisions on the matters involved and no effect has been taken of these matters in deciding the liabilities for the subsequent years with similar facts.

7) Opening and Closing Stock of Goods manufactured / traded for the year ended December 31, 2010*:

	Opening Stock		Closing Stock	
	Nos.	Rs. in million	Nos.	Rs. in million
(a) Manufactured				
(i) Ball and Roller Bearings	2,265,785 (3,947,517)	166.3 (350.8)	3,637,458 (2,265,785)	251.7 (166.3)
(ii) Manufactured Components	113,432 (265,982)	0.4 (1.6)	1,007,969 (113,432)	1.9 (0.4)
(b) Traded				
(i) Bearings and Equipment	174,031 (264,787)	438.3 (670.9)	191,165 (174,031)	456.4 (438.3)
\$\$ (ii) Components of Axle Box Housing and Re-Railing Equipment		23.9 (39.9)		20.4 (23.9)
		628.9 (1,063.2)		730.4 (628.9)

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, 2010:

Class of goods	Installed Capacity Nos.**	Production# Nos.	Sales#	
			Nos.	Rs. in million
(a) Manufactured***				
(i) Ball and Roller Bearings	50,038,000 (50,038,000)	67,749,073 (47,711,012)	66,271,133 (49,259,019)	6,687.6 (5,020.2)
(ii) Manufactured Components	– (–)	22,425,637 (3,774,639)	21,524,287 (3,918,387)	19.6 (13.3)
	Purchase			
	Nos.	Rs. in million		
(b) Traded				
(i) Bearings	941,708 (852,575)	2,675.9 (2,123.2)	924,574 (943,331)	3,406.0 (2,759.8)
\$\$ (ii) Axle Box Housing, Re-Railing Equipment and its components		136.5 (139.4)		176.8 (183.6)
(iii) High Seas Sales Steel Bars / Rods		108.3 (–)		110.8 (–)
		2,920.7 (2,262.6)		10,400.8 (7,976.9)

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 2010		Year 2009	
		Quantity	Rs. in million	Quantity	Rs. in million
(a) Ferrous Metals	Meter	6,439.3	3.7	5,166.1	2.9
	MT	3.6	0.2	63.5	3.0
Forged Rings	Nos.	9,066	0.3	20,179	0.4
			4.2*		6.3*
Components	Nos. (000)	804,132	3,325.6	643,230	2,367.2
			3,325.6		2,373.5
		%		%	
(b) Imported		28.13	935.9	19.95	473.4
Indigenously obtained		71.87	2,389.7	80.05	1,900.1
		100.00	3,325.6	100.00	2,373.5

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) Value of imports*:

(Rs. in million)

	Year 2010	Year 2009
Raw materials and components	982.0	436.4
Products purchased for sale	2,204.3	1,733.8
Stores and spares for maintenance of machinery	57.0	53.5
Capital goods	83.2	10.2
	3,326.5	2,233.9

*At FOB basis as it is not practicable to disclose the value of imports on CIF basis.

12) Expenditure in foreign currency:

(Gross) subject to deduction of tax wherever applicable:

(i) Fee for use of technology	168.9	138.8
(ii) Travelling	11.7	4.6
(iii) Charges for SAP / R3 and its connectivity & maintenance	27.1	31.8
(iv) Management service charges - (Outside services)	83.5	165.4
(v) Reimbursement of Expat Cost	9.3	6.2
(vi) Others - [Training, testing charges, catalogues (Net), etc.]	5.2	3.0
(vii) Technical services	13.2	—
	318.9	349.8

(Rs. in million)

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

	Year 2010	Year 2009
On 8,529,183 Equity Shares of Rs. 10 each to one non-resident shareholder		
- for the year ended December 31, 2009	38.4	
- for the year ended December 31, 2008		38.4

14) Earnings in foreign exchange:

	Year 2010	Year 2009
Service income	1.7	4.7
FOB value of exports	996.8	541.8
Others *	5.7	36.9
	1,004.2	583.4

* Includes reversal of Product Recall Liability Rs. 33.5 million in 2009.

15) Research and Development expenses under the respective heads aggregate to Rs. 37.6 million (2009: Rs. 26.3 million) including of capital nature Rs. 2.7 million (2009: Rs. 0.1 million).

16) Exchange differences of Rs.112.1 million (Net debit) [2009: Rs. 120.7 million (Net credit)] 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, 2011, the provision for taxation for the year is the aggregate of the provision made for the three months ended March 31, 2010 and the provision based on the figures for the remaining nine months upto December 31, 2010 the ultimate tax liability of which will be determined on the basis of the figures for the period April 1, 2010 to March 31, 2011.

18) Deferred Taxes:

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

	Year 2010	Year 2009
(i) Deferred Tax Liabilities		
(i) Difference between accounting and tax depreciation (cumulative)	76.9	85.3
(ii) Others	0.2	3.7
	77.1	89.0
(ii) Deferred Tax Assets		
(i) Provision for Doubtful Debts	3.5	3.0
(ii) Provision for leave encashment	31.3	28.3
(iii) Provision for Gratuity	2.8	4.0
(iv) Others	10.2	8.6
	47.8	43.9
Net Deferred Tax Liabilities	29.3	45.1

19) Segment reporting:

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

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 2010	Year 2009
Lease payments recognised in the Profit and Loss Account for the year	7.3	5.5
	7.3	5.5

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 Profit & Loss Account
Buildings	4.8 (4.8)	1.9 (1.8)	0.1 (0.1)

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

21) Earnings Per Share (EPS):

	Unit	Year 2010	Year 2009
a) Amount used as the numerator Profit After Tax attributable to equity shareholders	Rs. in million	1,215.0	655.4
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.	73.11	39.44

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.

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

2010	2009
a) Holding Company FAG Kugelfischer GmbH, Germany	a) Holding Company FAG Kugelfischer GmbH, Germany
b) Fellow subsidiary / associate Companies 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 it's 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 Co. Ltd., Hong Kong INA Bearings India Private Ltd., India FAG Roller Bearings Private Ltd., India Schaeffler Bearings Indonesia, PT LuK India Private Ltd., India 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) Ltd. The Barden Corporation, UK The Barden Corporation, USA Schaeffler Group USA Inc. Schaeffler Vietnam Co. Ltd., Vietnam	b) Fellow subsidiary / associate Companies Schaeffler Australia Pty. Ltd., Australia Schaeffler Brasil Ltda, Brazil Schaeffler Canada Inc., Canada Schaeffler (China) Co. Ltd.,China Schaeffler Holding China Co. Ltd., China Schaeffler Trading (Shanghai) Co. Ltd., China Schaeffler (Ningxia) Co. Ltd., China Schaeffler KG, Germany Schaeffler Automotive Aftermarket oHG, Germany FAG Industrial Services GmbH, Germany WPB Water Pump Bearing GmbH & Co. KG, Germany FAG Magyarorszag Ipari KFT, Hungary Schaeffler Hong Kong Co. Ltd., Hong Kong INA Bearings India Private Ltd., India FAG Roller Bearings Private Ltd., India LuK India Private Ltd., India Schaeffler Japan Co. Ltd., Japan Schaeffler Korea Corporation, Korea LuK Aftermarket Service, S.A. de C.V., Mexico Schaeffler Nederland B.V., Nederland Schaeffler Portugal S.A., Portugal Schaeffler (Singapore) Pte. Ltd., Singapore 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
c) Key Management Personnel Mr. Rajendra Anandpara, Managing Director	c) Key Management Personnel Mr. Rajendra Anandpara, Managing Director Mr. Biswarup Dhar, Managing Director (part of the year)

(Rs. in million)

3. Transactions with related parties during the year ended December 31, 2010

Nature of Transactions	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Purchase of Finished Goods	– (–)	2,095.1 (1,733.3)	– (–)	2,095.1 (1,733.3)
Purchase of Raw materials and Components / Spares	– (–)	552.8 (323.3)	– (–)	552.8 (323.3)
Purchase of Tangible Fixed Assets	– (–)	73.0 (14.3)	– (–)	73.0 (14.3)
Fees for use of technology	– (–)	168.9 (138.8)	– (–)	168.9 (138.8)
Charges for SAP / R3 and connectivity	– (–)	26.9 (31.8)	– (–)	26.9 (31.8)
Dividend for the year - 2009 - 2008	38.4 (38.4)	– (–)	– (–)	38.4 (38.4)
Deputation, Travelling, Training, Testing & Other Costs	– (–)	8.8 (4.7)	– (–)	8.8 (4.7)
Management Service charges (Outside services)	– (–)	76.4 (164.8)	– (–)	76.4 (164.8)
Expat cost	– (–)	9.3 (6.2)	– (–)	9.3 (6.2)
Sale of Finished Goods	– (–)	970.0 (531.1)	– (–)	970.0 (531.1)
Technical Services including capitalised Rs. 10.8 million	– (–)	13.2 (–)	– (–)	13.2 (–)
Remuneration (Refer Note 4(c)(ii)(a) of Schedule 16 to the accounts)	– (–)		7.3 (7.4)	7.3 (7.4)
Payment made by related party on our behalf	– (–)	0.2 (0.4)	– (–)	0.2 (0.4)
Corporate Expenses	– (–)	31.2 (6.8)	– (–)	31.2 (6.8)
Reversal of product recall liability insurance / SAP Cost	– (–)	– (35.8)	– (–)	– (35.8)
Supply of Material / Payments on behalf of related parties	– (–)	8.5 (4.3)	– (–)	8.5 (4.3)
Recovery against supply of Material / Payments on behalf of related parties	– (–)	8.7 (6.1)	– (–)	8.7 (6.1)
Loans given during the year	– (–)	– (450.0)	– (–)	– (450.0)
Recovery of Loan during the year	– (–)	– (22.5)	– (–)	– (22.5)

Continued...

NOTES TO THE ACCOUNTS

FAG

(Rs. in million)

...Continued

Nature of Transactions	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel	Total
Interest on loan given and on current account	– (–)	50.9 (37.6)	– (–)	50.9 (37.6)
Recovery of interest on loan and on current account	– (–)	51.4 (37.2)	– (–)	51.4 (37.2)
Service Income	– (–)	1.7 (4.7)	– (–)	1.7 (4.7)
Lease rent	– (–)	1.0 (1.0)	– (–)	1.0 (1.0)
Recovery of Lease rent	– (–)	1.0 (1.0)	– (–)	1.0 (1.0)

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

4. Balances outstanding as at December 31, 2010:

	Holding Company	Fellow Subsidiaries / Associate Companies	Key Management Personnel
Investment	– (–)	11.0 (11.0)	– (–)
Capital advance	– (–)	– (6.6)	– (–)
Receivables	– (–)	272.4 (83.2)	– (–)
Payables	– (–)	685.0 (683.1)	– (–)

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

The significant related party transactions are as under:

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Purchase of finished goods	Schaeffler Technologies GmbH & Co. KG, Germany	1,979.6 (1,510.8)
Purchase of raw materials and components / spares	Schaeffler Korea Corporation, Korea	71.0 (74.3)
	Schaeffler Technologies GmbH & Co. KG, Germany	407.8 (175.4)
Purchase of tangible fixed assets	Schaeffler Technologies GmbH & Co. KG, Germany	38.2 (6.6)

NOTES TO THE ACCOUNTS

FAG

(Rs. in million)

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
	FAG Roller Bearings Private Ltd., India	11.7 (7.7)
	Schaeffler Korea Corporation, Korea	(18.9) (-)
Sale of finished goods	Schaeffler Technologies GmbH & Co. KG, Germany	776.8 (440.2)
Fees for use of technology	Schaeffler Technologies GmbH & Co. KG, Germany	167.5 (137.7)
Charges for SAP / R3 and connectivity	Schaeffler Technologies GmbH & Co. KG, Germany	26.9 (31.8)
Deputation travelling, training, testing & other costs	Schaeffler Technologies GmbH & Co. KG, Germany	4.8 (2.4)
	Schaeffler Holding Co. (China) Ltd.	3.5 (1.9)
Management service charges	Schaeffler Technologies GmbH & Co. KG, Germany	- (111.4)
	Schaeffler Holding Co. (China) Ltd.	69.8 (53.4)
Technical Services (including capitalise Rs. 10.8 million)	Schaeffler Technologies GmbH & Co. KG, Germany	11.4 (-)
	Schaeffler Holding Co. (China) Ltd.	1.8 (-)
Reversal of product recall liability insurance / SAP cost	Schaeffler Technologies GmbH & Co. KG, Germany	- (35.8)
Expat cost	Schaeffler Technologies GmbH & Co. KG, Germany	9.3 (6.2)
Supply of material / payments on behalf of related parties	Schaeffler Technologies GmbH & Co. KG, Germany	2.9 (3.4)
	INA Bearings India Private Ltd., India	- (3.5)
	LuK India Private Ltd., India	- (2.5)
	The Barden Corporation, USA	2.2 (1.7)
Recovery against supply of material / payments on behalf of related parties	FAG Roller Bearings Private Ltd., India	1.0 (1.0)
	Schaeffler Technologies GmbH & Co. KG, Germany	2.5 (2.4)
	The Barden Corporation, USA	2.4 (2.7)
Loan given during the year	INA Bearings India Private Ltd., India	- (450.0)
Corporate expenses	INA Bearings India Private Ltd., India	18.7 (-)
	LuK India Private Ltd., India	12.5 (-)

Continued...

(Rs. in million)

...Continued

Nature of Transactions	Fellow Subsidiary / Associate Companies	Amount
Recovery of loan during the year	INA Bearings India Private Ltd., India	– (22.5)
Interest on loan given and on current account	FAG Roller Bearings Private Ltd., India	6.4 (5.4)
	INA Bearings India Private Ltd., India	45.0 (32.2)
Recovery of interest on loan and on current account	FAG Roller Bearings Private Ltd., India	5.9 (5.0)
	INA Bearings India Private Ltd., India	45.0 (32.2)
Service income	Schaeffler Technologies GmbH & Co. KG, Germany	1.7 (4.7)
Lease rent	FAG Roller Bearings Private Ltd., India	1.0 (1.0)
Recovery of lease rent	FAG Roller Bearings Private Ltd., India	1.0 (1.0)

Nature of Transactions	Key Management Personnel	Amount
Remuneration	Mr. Rajendra Anandpara	7.3 (2.4)
	Mr. Biswarup Dhar (for part of the year 2009: Rs. 5.0 million)	

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, 2010 to Small and Micro enterprises as defined under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006.

24) (a) Excise duty paid and collected from customers is shown separately and deducted from the sales turnover (Gross) in the Profit and Loss Account.

(b) 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. 10.7 million Net debit (2009: Rs. 19.0 million Net credit) and (ii) the excise duty on the free samples, scrap etc. Rs. 1.7 million (2009: Rs. 2.8 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, 2010 and are as follows:
Forward exchange contracts as at December 31, 2010:

Forward exchange contracts outstanding	USD	35,239,000 (34,513,000)	1,732.0 (1,679.6)
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Note: Figures in the brackets represent previous year's figures.

Foreign currency exposures as at December 31, 2010:

Particulars	Amount in foreign currency		Equivalent amount in Indian currency (Rs. in million)
Trade payables	USD	15,671,964 (14,427,066)	703.1 (671.6)
	EURO	1,157,152 (358,837)	44.5 (24.2)
	CHF	638 (16,259)	0.1 (0.7)
	AUD	1,153 (-)	0.1 (-)
	JPY	145,000 (720,400)	0.1 (0.4)
Trade receivables	USD	5,196,656 (1,220,830)	231.9 (56.7)
	EURO	100,301 (56,427)	5.9 (3.8)
Advances to suppliers	USD	537,747 (97,400)	24.2 (4.6)
	EURO	822 (30,999)	0.1 (2.1)
Bank balance in EFC accounts	USD	1,885,493 (395,903)	84.1 (18.4)
	EURO	24,161 (22,969)	1.4 (1.5)

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

- 26) Prior period adjustments represent expenses arising on account of Sales Tax / VAT liabilities for earlier years, Rs. 25.6 million (2009: Reversal service Income Rs. 32.1 million and expense on market support fees Rs. 83.1 million).

27) Provision for warranty:

Disclosures pursuant to Accounting Standard 29 on provisions

(Rs. in million)

Particulars	Year 2010	Year 2009
Opening balance	1.0	0.7
Created during the year	-	1.0
Used during the year	1.0	0.7
Closing balance	-	1.0

No further provision for warranty was called for during the year in view of the charge to warranty as per accounting policy.

(Rs. in million)

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 31.12.2010	As on 31.12.2009
Present value of funded obligations	170.1	159.6
Fair value of plan assets	161.9	147.9
Unrecognised past service cost	0.0	0.0
Net liability in the Balance Sheet (Also refer foot note below)	8.2	11.7

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

	For the year ended 31.12.2010	For the year ended 31.12.2009
Current service cost	8.1	7.0
Interest on obligation	11.8	11.0
Expected return on plan assets	(11.7)	(9.9)
Net actuarial losses (Gains) recognised in year	1.6	4.8
Past service cost	0.0	0.0
Losses (Gains) on curtailments and settlements	0.0	0.0
Total included in 'employee benefit expense'	9.8	12.9
Actual return on plan assets	12.8	16.9

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 31.12.2010	For the year ended 31.12.2009
Opening defined benefit obligation	159.6	138.4
Prior period adjustment	0.0	0.0
Service cost	8.1	7.0
Interest cost	11.8	11.1
Actuarial losses (Gains)	2.7	11.8
Benefits paid	(12.1)	(8.7)
Closing defined benefit obligation	170.1	159.6

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

	For the year ended 31.12.2010	For the year ended 31.12.2009
Opening fair value of plan assets	147.9	125.6
Expected return	11.7	9.9
Actuarial gains (Losses)	1.1	7.0
Contributions by employer	13.3	14.1
Assets acquired in an amalgamation in the nature of purchase	0.0	0.0
Exchange differences on foreign plans	0.0	0.0
Benefits paid	(12.1)	(8.7)
Closing fair value of plan assets	161.9	147.9

The Group expects to contribute Rs. 14.0 million to its defined benefit pension plans in the year 2011.

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

	As on 31.12.2010	As on 31.12.2009
Government of India securities	2%	2%
Corporate bonds	0%	2%
Special deposit scheme	0%	0%
Insurer managed funds	98%	96%
Others	0%	0%

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

	For the year ended 31.12.2010	For the year ended 31.12.2009
Discount rate per annum as at December 31, 2010	8.25%	7.50%
Expected return per annum on plan assets as at December 31, 2010	8.00%	8.00%
Salary escalation per annum	6.00%	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%

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 regrouped, wherever necessary, to conform to the current year's classifications.

Mumbai: February 17, 2011

Avinash Gandhi
Chairman

Rajendra Anandpara
Managing Director

Satish Patel
Chief Financial Officer

Raj Sarraf
Company Secretary

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	31.12.2010	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 in Rs. million)

Total liabilities	Total assets
7,775.6	7,775.6

Sources of funds

Paid up capital	Reserves & surplus	Secured loans	Unsecured loans
166.2	5,568.4	Nil	Nil

Application of funds

Net fixed assets	Investments	Net current assets	Misc. expenditure [Deferred tax asset / (Liability)]	Accumulated losses
1,496.0	3.2	4,264.7	(29.3)	Nil

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

Turnover	Total expenditure	Earning / (loss) per share in Rs.
10,653.5	8,834.7	73.11
+/- Profit / Loss before tax	+/- Profit / Loss after tax	Dividend rate %
1,818.8	1,215.0	50

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 17, 2011

Avinash Gandhi
Chairman

Rajendra Anandpara
Managing Director

Satish Patel
Chief Financial Officer

Raj Sarraf
Company Secretary

TEN YEARS' HIGHLIGHTS



(Rs. in million)

Year 2010 2009 2008 2007 2006 2005 2004 2003 2002 2001

SOURCES OF FUNDS

Share capital	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2	166.2
Reserves*	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	693.4
Net worth*	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	859.6
Borrowings - long term	Nil	Nil	Nil	Nil	Nil	Nil	Nil	169.9	231.5	332.2
Funds employed	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	1,191.8

INCOME AND PROFITS

Sales (Net)	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	2,226.7
Gross operating profit	2,054.4	1,318.8	1,728.0	1,412.5	1,290.1	854.5	601.1	502.0	483.3	437.4
Profit before tax	1,818.8	995.8	1,473.5	1,244.8	1,107.8	677.6	434.0	309.7	253.9	192.2
Tax	603.8	340.4	516.3	449.5	370.8	198.7	125.2	***78.1	56.2	42.0
Profit after tax	1,215.0	655.4	957.2	795.3	737.0	478.9	308.8	231.6	197.7	150.2
Dividend per share (Rs.)**	5.0	4.5	4.5	4.0	4.0	3.5	3.5	4.5	4.0	3.5
Retained earnings	1,117.8	567.9	869.7	715.5	661.2	412.0	243.0	138.7	131.2	86.1

OTHER DATA

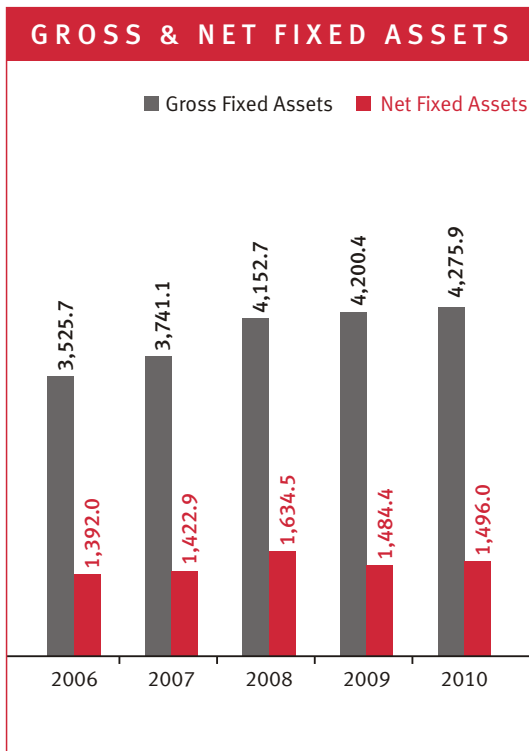
Gross fixed assets	4,275.9	4,200.4	4,152.7	3,741.1	3,525.7	3,058.6	2,709.4	2,585.8	2,496.8	2,406.9
Net worth per equity (Rs.)	343.8	276.5	242.3	190.0	147.5	107.7	82.9	68.3	60.0	51.7
Debt equity ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	0.15	0.23	0.39
Current ratio	3.1	3.2	2.8	2.5	2.1	1.8	1.9	1.7	1.4	1.3
Production (Nos. in million)	67.7	47.7	46.4	45.1	44.1	32.3	27.2	25.6	24.7	21.7
Sales (Nos. in million)	66.3	49.2	45.4	44.6	43.0	32.1	28.4	25.8	23.8	22.5
Employees (Nos.)	1,343	1,334	1,375	1,282	1,157	1,037	1,031	1,063	1,064	1,085
Shareholders (Nos.) (As on December 31)	7,876	7,276	7,623	7,439	7,714	8,033	8,823	10,003	11,622	11,242

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

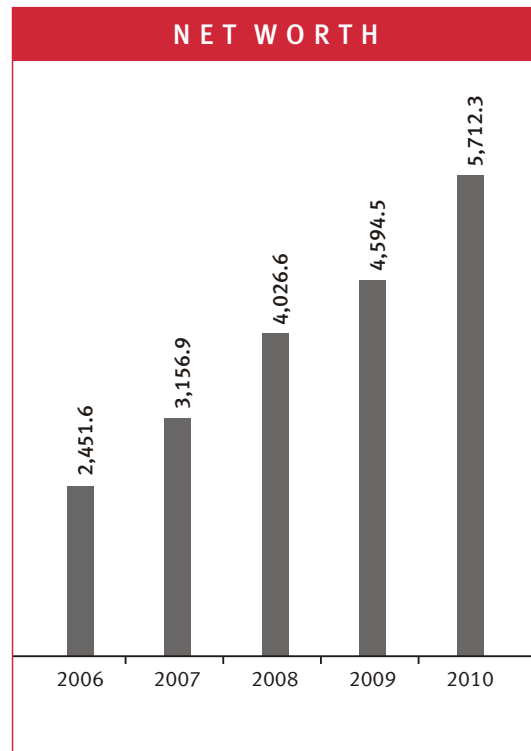
PERFORMANCE HIGHLIGHTS

FAG

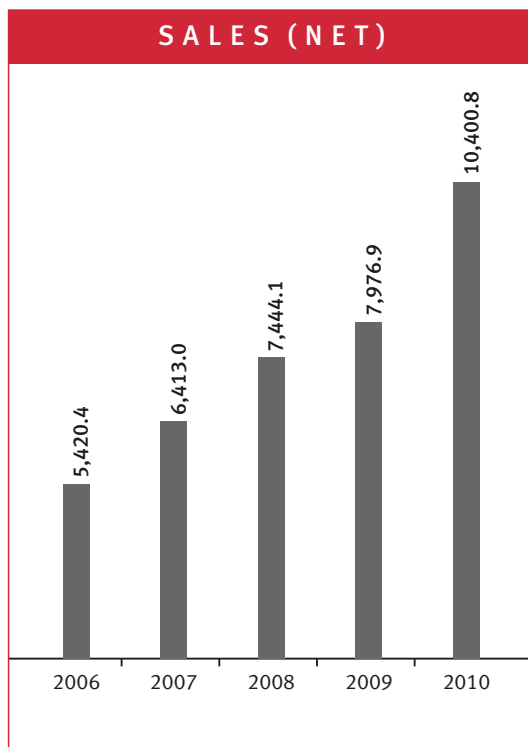
(Rs. in million)



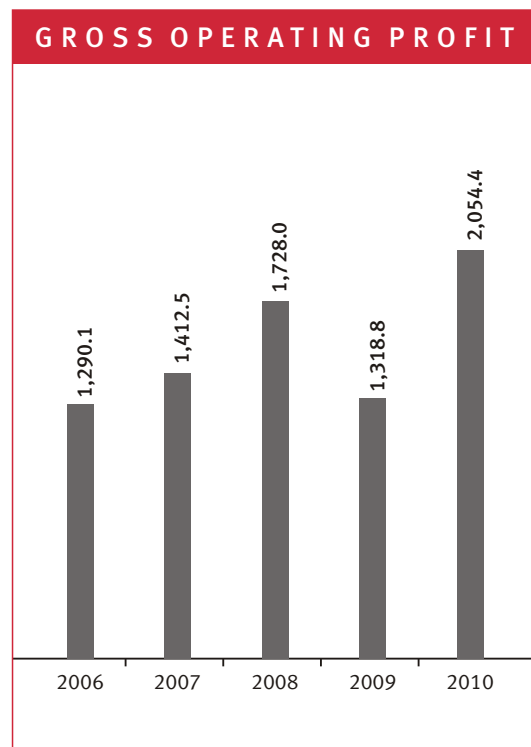
(Rs. in million)



(Rs. in million)



(Rs. in million)

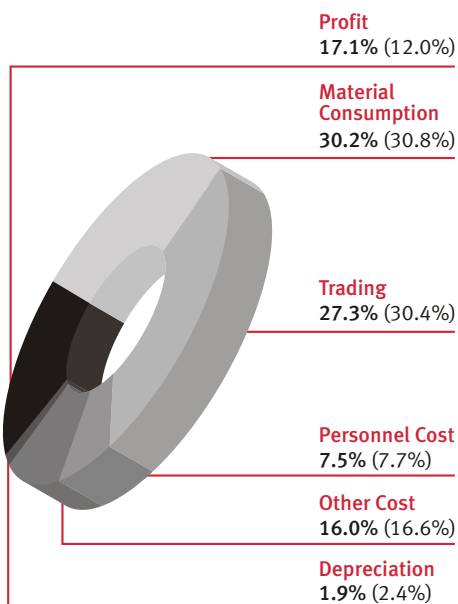


PERFORMANCE HIGHLIGHTS

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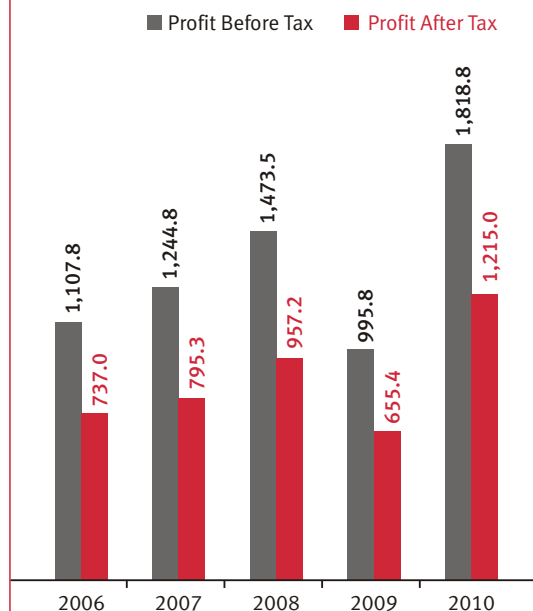
(Rs. in million)

DISTRIBUTION OF INCOME



Bracket denote previous year's figures

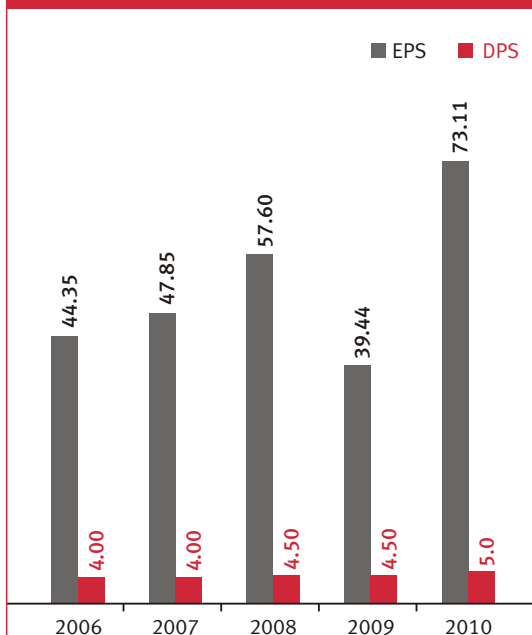
PROFIT BEFORE & AFTER TAX



(Rs.)

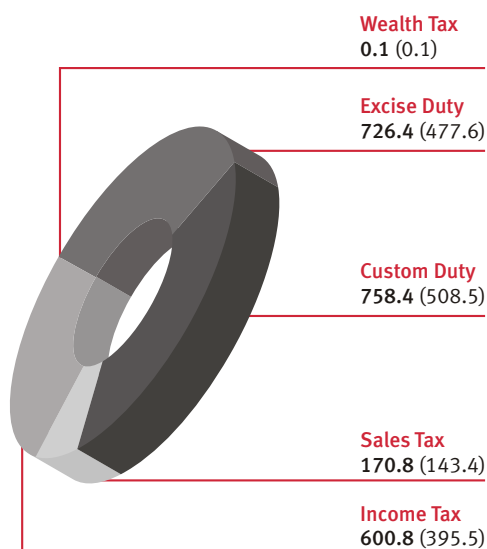
(Rs. in million)

EARNINGS & DIVIDEND PER SHARE



CONTRIBUTION TO EXCHEQUER

Total: 2,256.5 (1,525.1)



Bracket denote previous year's figures

To
The Member(s)
FAG Bearings India Limited

Notice is hereby given that the Forty Eighth Annual General Meeting of "FAG BEARINGS INDIA LIMITED" will be held on Thursday, April 21, 2011 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, 2010 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, 2010.
3. To appoint a Director in place of Mr. Avinash Gandhi, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Moreshwar Garde who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration.

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

By Order of the Board

Raj Sarraf
Company Secretary

February 17, 2011

NOTES:

1. A MEMBER, ENTITLED TO ATTEND AND VOTE AT THIS 48TH 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 4.00 P.M. on April 19, 2011.
3. The Company has notified closure of Register of Members and the Transfer Books from April 1, 2011 to April 5, 2011 (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, 2011. The dividend will be paid within the specified time limit, after approval by members at the General Meeting. 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 2003, 2004, 2005, 2006, 2007, 2008 and 2009 are requested to claim the amount from the Company immediately.
(b) Pursuant to provisions of Section 205A read with 205C of the Companies Act, 1956 unclaimed dividends up to the year 2002 were transferred to the Investor Education and Protection Fund in time.
5. National Electronic Clearing Service (NECS) has been permitted by Reserve Bank of India. Shareholders may fill up the option Form and send it to the Registrars by April 05, 2011.

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

(Credit clearing)

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 registrars.
- 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 Registrars latest by April 5, 2011, 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 registrars or the Company.

FAG Bearings India Limited

Maneja, Vadodara - 390013

Gujarat, India.

Tel.: + 91 265 6602000-2004

Fax: + 91 265 2638804

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