

SCHAEFFLER GROUP

FAG



TOGETHER WE MOVE THE WORLD

ANNUAL REPORT 2010



MEMORIES

Dr. Vidya Sagar joined our board in 1968. Since then he constantly guided, supported and steered the evolution of our company from a fledgling start up to a progressive and professional organisation. He was a symbol of what it means to be a well integrated team member of a multinational corporation.

He was last with us at Schaeffler China in Shanghai from 20th to 24th Oct, 2010, and participated in the BoD meeting and also joined the plant study tour with his characteristic enthusiasm.

"Dr. Sagar had consuming passion for developing young talent which found expression in the Sagar School and he nurtured it so lovingly. We dedicate this Annual Report to this outstanding man and to his passion - People."

Avinash Gandhi, Chairman - FAG Bearings India Limited

॥ अमंत्रं अक्षरं नास्ति ॥

Every letter has the potential to become a mantra

॥ नास्ति मूलं अनौषधम् ॥

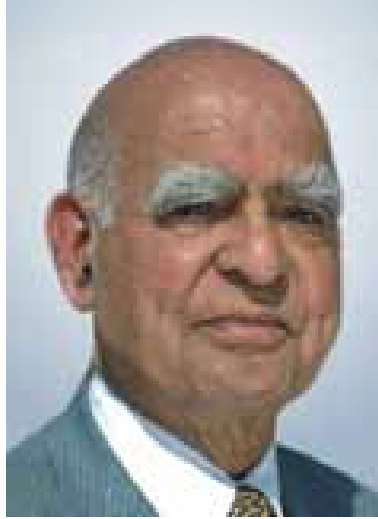
Every herb has the potential to become a medicine

॥ अयोग्यः पुरुषो नास्ति ॥

Every person has the potential to become a winner

॥ योजकः तत्र दुर्लभः ॥

But rare is the visionary who can transform potential into reality



Dr. Vidya Sagar

1925-2011

Director on Board and Ex-Chairman
FAG Bearings India Limited



Immensely missed by

**Shareholders, Board of Directors and Employees of FAG Bearings India Limited
Schaeffler Group, Germany**



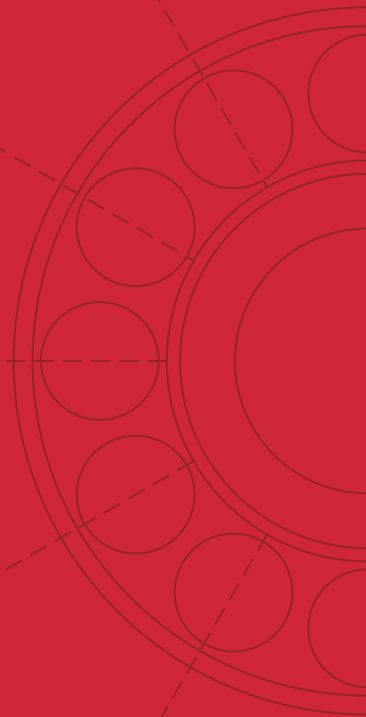
Winning through Enterprise, Excellence, Empowerment

At FAG, 'WE' isn't just a plural pronoun but represents a strong collective energy. A force that stimulates our enterprise, accelerates our constant pursuit of excellence, and empowers our people to realise their full potential.

Being part of Schaeffler Group - the global leaders in rolling bearings and automotive component business, we realise that we have a responsibility to keep moving forward. The Group motto 'Together we move the world' inspires us to work together with our customers and to passionately focus on creativity and innovation - while we constantly support our employees in realising higher levels of competence and motivation.

With this passion, WE crossed the milestone of Rs. 1,000 crores of sales. The year 2010 was a successful year. WE achieved 30% growth in sales and enhanced our profit before tax by 83%. WE continued our focus on working capital management and accelerated implementation of Fit for Quality and MOVE initiatives.

Ancient Indian wisdom - सह वीर्यं करवावहै (May we gain strength together) defines Management as a process of reaching superior goals through teamwork; a process of helping ordinary people realise extraordinary potential. At FAG, we believe that our dedicated people make the BIG difference. We owe our success to them and count on them to shape a highly successful and sustainable future.



The Game Changer

Sarabjit Singh
Vice President - Marketing

Enterprising People

Optimist, extrovert and go getter - Sarabjit loves sports. He strongly believes that while participation is important, winning is even more important.

Sarabjit had joined FAG as Graduate Engineer two decades ago. His desire to excel translates into an insatiable drive to pursue goals and not rest till success is achieved. Like a true sportsperson, every success fuels in him the desire to achieve higher goals.

Today as Vice President (Marketing), Sarabjit has been a game changer at FAG. He says:

"To me, Entrepreneurship is about having a keen eye for opportunities; opportunities which are durable and profitable. Being a Punjabi, enterprise came naturally to me. Working with Schaeffler developed my competence to manage risks proactively. Our structured innovation process gives us a lead in opportunity management."

Fuelled By Enterprise

As a Schaeffler Group company, Enterprise is a characteristic intrinsic in FAG's corporate culture and native in our leadership team. Our organisational environment encourages initiative, innovation, creativity, dynamism, and calculated risk-taking. We know that all our goals and actions must be focussed on customers and their benefits. The empowerment and freedom makes realisation of team goals more rewarding, stimulating and meaningful. We encourage our people to think out-of-the-box and become first movers. In fact, each individual is a self-powered business engine.

During the reporting year, the enterprising approach of our organisation led FAG to intensify implementation of a host of strategic initiatives. A few of them are listed below:

Developing Next Generation Solutions

Enterprise is turning challenges into opportunities. At FAG, we continuously strive to multiply customer benefits and enhance customer value proposition, by upgrading and leveraging our technologies. Our engineers spend a great deal of time in understanding customers' environment and their needs. Advanced engineering tools like BearinX, support in translating customer needs into engineering specifications. The result is a solution that is better than the one before, one that best fits customer needs and one that often is ahead of times.

It was with this approach that we pioneered the development of First Generation Wheel Bearings for Indian cars some two decades ago. And it is with the same passion that our engineers are now working towards bringing advanced 3rd Generation Wheel bearings in India.



Gen3 Wheel Bearing

Receiving award at Maruti Suzuki Vendor Conference

Whether it is developing advanced wheel bearing solutions for Maruti Suzuki or defining engineering specification of a Rotor shaft bearing for a Wind turbine customer, we lay great emphasis on cross organisational teaming and learning. This often brings engineers from India, Japan and Germany together to find the best solution for an Indian customer. Hence, the Schaeffler Group, with its vast engineering expertise spread over different markets, offers global advantage to its customers.

Showcasing Global Competence

At the Auto Expo 2010, held in January 2010 at New Delhi, the Schaeffler Group and Continental AG put up a joint presence to showcase the technologies relevant to the 'automobile of the future'.

Robust Product Pipeline with a significant focus on Exports

A total of 94 new products were developed in 2010. Over a quarter of these products, 24 to be specific were for the export market. The development spanned across segments and new products were developed in Ball Bearings, Cylindrical Roller Bearings, Spherical Roller Bearings, and Wheel Bearings. We developed new designs of Continuous Caster bearings for Steel industry, and extended the portfolio of premium range X-life roller bearings for global markets.



F'IS - Outreach Program

With leadership experience in bearing technology, we at FAG India quickly realised that our customers were looking for more than just a product. They were looking for solutions and knowledge partners.

Our Service concept - F'IS is based on Customer Life Cycle Orientation. We focus on solving problems of our customers, while we work together with them in their plants to reduce maintenance, avoid unplanned shutdown, improve quality and increase OEE and plant availability. With our competence in Mounting, Lubrication, Alignment and Condition Monitoring we partner with our customers in Proactive Reliability Maintenance.

Racing Ahead

Devkumar Davesar
General Manager - Development



Enterprising People

Perfectionist. Obsessed with quality, Dev is a people's person. He believes that when you listen to people you give voice to their true talent. Nothing motivates him more than a seemingly impossible challenge.

Having started his career as GET in 1993, Dev gets under the skin of every assignment. He reaches beyond the obvious to garner true insights before recommending the ideal technical solution to any customer requirement.

Today, as General Manager - Development, Dev steers the organisation's forays in advanced technology projects. He is actively involved in our initiative to enhance engineering competence of our sales and technical divisions. He says:

"Enterprise is when you say no to 'not possible'. Because it is only when you push the boundaries of possibilities that you achieve the unthinkable. And that is the true spirit of enterprise."

FSEs- Field Service Engineers are our active service ambassadors in the field. FSEs are hands-on engineers, who are always present wherever there is a customer and wherever there is action. They work with the customers at their locations, irrespective of its geographical location, be it the Rann of Kutch or an isolated mining area of eastern India. They battle the heat of steel plants or dust of cement plants with the sole aim of gaining clear insight of customer's problems and their needs. FSEs follow a typical 'bottom up' service model. They work with a core philosophy that before we solve long term problems of the customers with advanced solutions, we must solve their immediate problems with available tools and knowledge. Every experience with customers and their problem enrich the knowledge and competence of FSEs - as they develop and expand their solution mindset to customer's advantage.



FSEs Dayout

Taking Knowledge to customers' doorstep

WE believe that knowledge is only as good as it is distributed among customers. It is with this passion to apply vast Schaeffler knowledge in practical day-to-day situation that we had launched our Mobifis demonstration truck in 2009.

Since then, Mobifis has traversed across the length and breadth of India, demonstrating our products, services and technical excellence. During 2010, Mobifis touched

base with over 300 customer accounts and with over 10,000 engineers and technicians. Many of such interactions subsequently led to more intensive projects with the customers. This underlines our belief that knowledge applied is knowledge multiplied.

**The F'IS demo van
has visited over
300 customers till
December 31st 2010**



Partnering to realise increased share of market

Our Distribution partners represent a powerful enterprising spirit. Many of them have been partnering with us for decades and have become important members of the Schaeffler family.

Our Distribution approach is driven by our end users. Our distributors are located very close to customer locations and maintain intensive customer contacts. Through tri-party agreements, we ensure that the products that our customers are looking for are delivered in the shortest possible time - often on the same day.

During 2010, we intensified our joint initiative with distributors - PRISM - partnering to realise increased share of Market. Each such project aims to enhance value and customer satisfaction. PRISM helped FAG realise impressive increase in aftermarket sales in 2010 and our distribution partners still aim for a higher growth.



PRISM



*Giving a new
dimension to service*

Shashank Pandya
Executive - Technical Services

Enterprising People

A fast learner and a movie buff, Shashank does not miss a single minute of a film. Volleyball and computer games have taught him to synergise technology and teamwork.

Shashank, who joined FAG as a Graduate Engineer Trainee in 2008, considers his role of Field Service Engineer as pivotal to Scaeffler India's Aftermarket strategy. He says:

"Enterprising organisations are customer-driven. It is about looking at the business through customers' lenses - it is about strong bias for actions and creating a constancy of purpose towards improvements. Nothing motivates me more than finding solution to customer's problems. Every single problem opens up a new opportunity and every success makes me and my customer more confident. With immense Schaeffler know-how, opportunities are endless."

Driven By Excellence

We are what we repeatedly do, Excellence then is not an act- but a habit! - Aristotle

At FAG India, excellence is a constant inspiration to improve and excel. Our 'Fit for Quality' program, reflects it by insisting on an uncompromising attitude towards quality and customer service. Our MOVE program manifests it - by focusing on robust error-free processes that cut waste and enhance reliability. Our HR development processes like EDD and Engineering competence model are based on a constant pursuit of excellence. Excellence, thus, remains a moving target at FAG.

While we strive for superior business performance, we believe that excellence is not just about delivering better results - it is also about improving the ways in which these results are achieved. Profitability is a key measure of excellence for us, but it is not the only one. A deep alignment with the intangibles, that ensure repeatability, longevity and sustainability, is equally important.

Above all, the key drivers of excellence are our people who inherently believe that good just isn't good enough.

During the year 2010, we continued our excellence endeavours by increasing focus on our key initiatives.

MOVE Academy

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

At FAG India, we started implementing MOVE concept in 2009 by undertaking improvement projects. Our task now is to seamlessly integrate MOVE as a critical part of all the processes that we follow. Our task is to embrace MOVE as a culture for all our employees and business associates.



The MOVE Academy was inaugurated by Dr. Rainer Woska & Mr. Oliver Jung from Schaeffler Executive Board

It is with the idea of cascading MOVE concept among all our employees, that we set up a MOVE Academy at the Vadodara plant. Employees learn basic principles of MOVE at the academy; they learn principles of value stream analysis and

develop a sharp eye to detect waste in any process. They develop a strong bias for actions. The academy is also equipped with a Lean Factory where employees actually simulate real life production scenario, apply MOVE principles to reduce waste, and synchronise production with customer needs. So far, 120 employees have graduated from MOVE Academy. They are the ambassadors of our passion to 'move the MOVE' at FAG.

Engineering Competence Model

As technology leaders in the business, Schaeffler Group lays a great emphasis on empowering its employees with cutting-edge knowledge of engineering concepts.

Engineering competence model covers all our Sales Engineers, Product Designers, Application Engineers and Field Service Engineers. A comprehensive multi-phased program is designed to impart a clear understanding of bearing and engineering principles. Besides learning tools like BearinX, participants also learn about diverse bearing applications and develop an understanding for translating customer needs in to engineering specification. Projects form the core of the competence development program as participants are encouraged to work in teams to solve a number of engineering case studies.