

SCHAEFFLER

SCHAEFFLER INDIA LIMITED
Annual Report 2017

Mobility for tomorrow

Together
we grow

Together
we grow



10 Years’ Highlights

(₹ In Million)										
Year	2017	2016 [^]	2015	2014	2013	2012	2011	2010	2009	2008
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*	16,787.0	14,585.4	12,707.0	10,888.9	9,708.9	8,607.8	7,112.6	5,546.1	4,428.3	3,860.4
Net Worth*	16,953.2	14,751.6	12,873.2	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3	4,594.5	4,026.6
Borrowings -Long Term	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Funds Employed	16,953.2	14,751.6	12,873.2	11,055.1	9,875.1	8,774.0	7,278.8	5,712.3	4,594.5	4,026.6
INCOME AND PROFITS										
Net Total Income **	19,866.5	18,645.8	17,805.9	16,731.0	14,758.7	14,912.8	13,394.0	10,653.5	8,264.2	7,660.5
Gross Operating Profit	4,344.5	3,651.9	3,614.4	2,826.9	2,294.5	2,650.4	2,848.1	2,054.4	1,318.8	1,728.0
Profit Before Tax	3,623.1	2,993.3	2,938.1	2,323.7	1,854.4	2,334.7	2,609.6	1,818.8	995.8	1,473.5
Tax	1,242.9	1,042.7	963.3	794.9	636.1	742.9	849.9	603.8	340.4	516.3
Profit After Tax	2,380.2	1,950.6	1,974.8	1,528.8	1,218.3	1,591.8	1,759.7	1,215.0	655.4	957.2
Dividend Per Share (₹)	17.00 [#]	12.00	10.00	7.50	6.00	5.00	10.00	5.00	4.50	4.50
Retained Earnings	2,139.1	1,749.6	1,768.9	1,383.0	1,101.0	1,495.2	1,566.5	1,117.8	567.9	869.7
OTHER DATA										
Gross Fixed Assets	5,466.7	4,743.3	8,372.7	7,594.8	7,554.5	7,148.5	5,320.7	4,275.9	4,200.4	4,152.7
Net Worth per Equity (₹)	1,020.0	887.6	774.7	665.3	594.3	528.0	438.0	343.8	276.5	242.3
Debt Equity Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Current Ratio	4.2	3.7	3.6	3.4	2.4	2.9	2.7	3.1	3.2	2.8
Production (Nos. in million)	136.4	125.7	116.9	112.3	91.6	80.7	78.3	67.7	47.7	46.4
Sales (Nos. in million)	139.8	125.5	118.1	112.7	92.9	81.5	77.4	66.3	49.2	45.4
Employees (Nos.) [§]	1,488	1,525	1,560	1,477	1,495	1,580	1,456	1,343	1,334	1,375
Shareholders (Nos.) [§]	12,871	10,430	9,771	8,701	7,808	8,465	8,205	7,876	7,276	7,623

[^] Ind AS.

^{*} Reserves and net worth includes revaluation reserves as on 31.12.2017 & 31.12.2016 as per Ind AS, whereas 2015 & prior period are excluding as per Indian GAAP.

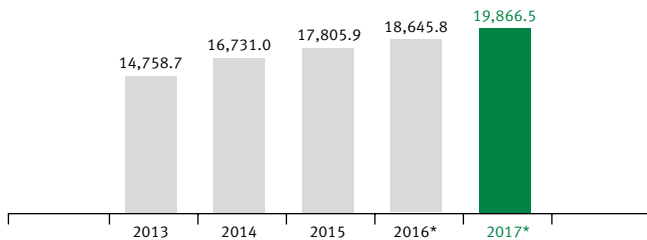
^{**} Net of Excise Duty.

[#] Proposed.

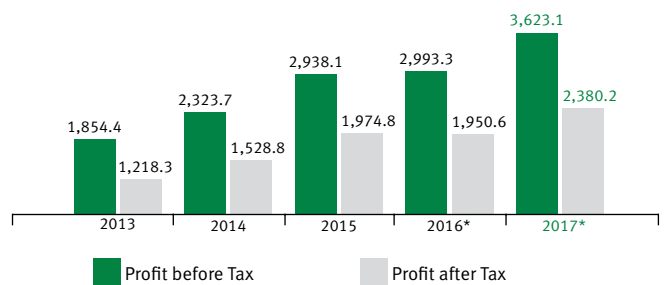
[§] As on December 31.

Performance Highlights

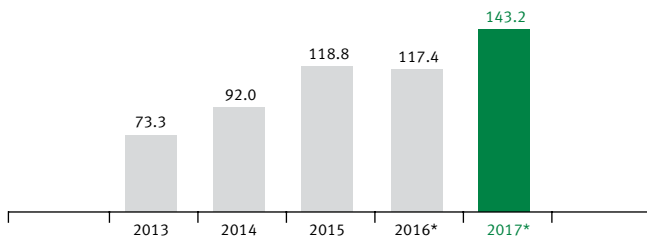
Net Total Income
(₹ In Million)



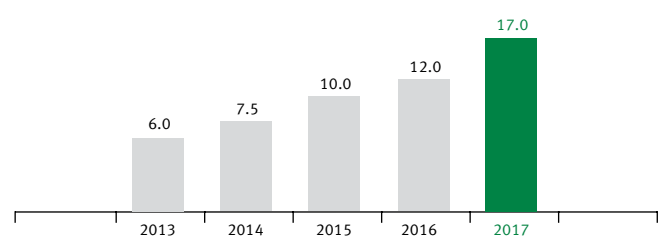
Profit before Tax and Profit after Tax
(₹ In Million)



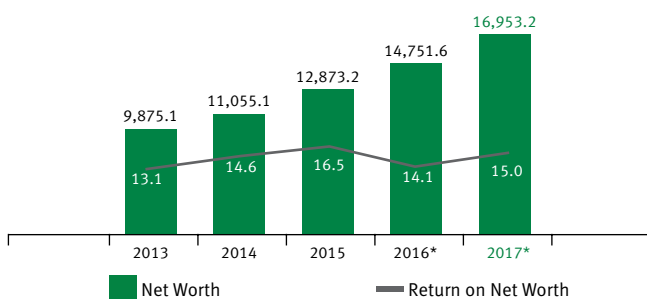
Earnings per Share
(₹)



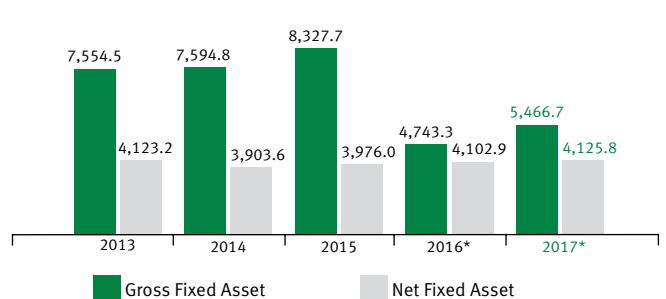
Dividend per Share
(₹)



Net Worth (₹ In Million) and Return on Net Worth (%)



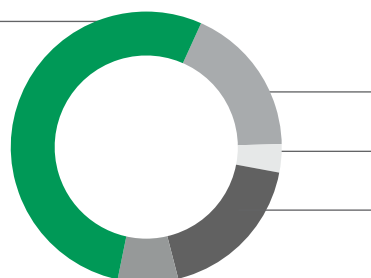
Gross and Net Fixed Assets
(₹ In Million)



Distribution of Income (%)*

Material Consumption
53.70 (53.80)

Personnel Cost
7.40 (7.40)



Other Costs
17.80 (20.70)

Depreciation
3.50 (3.20)

Profit
17.60 (14.90)

Bracket denotes previous year's figures

*As per Ind AS

In 2017, we brought three successful businesses together to create one Schaeffler entity in India. Tracing our roots back to over 50 years, we have come together to build on our portfolio, common purpose and deep commitment to sustainable business. Together we will be sharing best practices, learning from one another, and realising the benefits of our scale. We look forward to a long-term fiscal success, as together we will be financially strong and operationally efficient.

Together, we are committed to grow with all our stakeholders.

Schaeffler India Limited, is one of India's major ball and rolling bearing manufacturers, servicing the automotive and multiple core industrial segments. Erstwhile known as FAG Bearings India Limited, Schaeffler India Limited is part of the world-renowned Euro 14 billion global automotive and industrial supplier - Schaeffler AG, headquartered in Herzogenaurach, Germany. We are the frontrunners in providing not only a wide range of ball and roller bearings, but also services and application support that matches our global quality to the various industries of India.

Following a subdued environment in 2016, we witnessed positive macro level developments with a veritable recovery of the core industries and automobile segments during 2017. We are optimistic that India's gradual economic resurgence and rising consumption will act as a positive growth catalyst for the sector. In line with this belief, we took strategic steps to capitalise on these developments. We re-engineered our internal processes; leveraged on innovative technology improvements; and focused on delivering excellence in quality. We also implemented cohesive strategies to enhance operational efficiencies and scale our manufacturing volumes.

To generate long-term sustainable value for our stakeholders, we started the journey of creating a

single strong entity in India, by merging unlisted Indian entities of Schaeffler Group - INA Bearings India Private Limited and LuK India Private Limited with Schaeffler India Limited. This consolidation will provide significant long-term benefits and allow Schaeffler India to leverage upon its operational synergies, and grow its market share. The consolidation will help in building a robust and diversified portfolio, of both automotive and industrial products, allowing us to capitalise on the significant growth opportunities within India.

Furthermore, we adopted some tactical steps to strengthen our long-term competitiveness. We reinforced our presence in innovation-driven, high-growth sectors, while consistently pursuing aggressive localisation goals to expand our manufacturing and engineering footprint. Moreover, to widen our market, we are developing new products that have the potential to provide persistent business growth.

We are excited about our potential and confident for the future. We are a leading automotive and industrial supplier in the country and over the years we have built an organisation that is both resilient and adaptable to market needs. Confident in our abilities to execute on our plans, we aspire to be an enduring value producer and an excellent long-term wealth creator for our stakeholders.

Together we grow



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About Schaeffler Group



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Together we are one



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Together we are helping our clients in new ways



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Together we deliver operational excellence



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Together we can make a difference

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Company Information

Board of Directors

Chairman	Mr. Avinash Gandhi
Managing Director	Mr. Dharmesh Arora
Directors	Mr. Klaus Rosenfeld Mr. Dietmar Heinrich Mr. Marcus Eisenhuth Mr. Sampath Kumar Raman Dr. Sanak Mishra Mrs. Renu Challu Mr. Rakesh Jinsi

Key Managerial Personnel

Chief Financial Officer	Mr. Satish Patel
Company Secretary	Mr. Chirag Shukla

Bankers ICICI Bank Limited

Auditors B S R & Co. LLP,
Chartered Accountants

Collaborators Schaeffler Group, Germany

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

Head Office P.O. Maneja,
Vadodara - 390 013
Gujarat, India

Manufacturing Locations / Plants

1. P.O. Maneja,
Vadodara - 390 013
Gujarat, India
2. Plot No.1 (Alindra),
Savli GIDC Phase - III,
Taluka: Savli,
Vadodara - 391 775
Gujarat, India

Sales Offices Bengaluru, Chennai,
Coimbatore, Gurugram,
Jamshedpur, Kanpur, Kolkata,
Ludhiana, Mumbai,
Pune, Secunderabad, Udaipur



Dharmesh Arora
Managing Director and Chief Executive Officer

Dear Shareholders,

It gives me immense pleasure to present to you the 2017 Annual Report of Schaeffler India Limited. It was, in many ways, a milestone year for your Company.

The corporate makeover has been a key turning point for the company this year. Your Company completed the process of changing its name from 'FAG Bearings India Limited' to 'Schaeffler India Limited'. A step towards strengthening the umbrella brand "Schaeffler", this change marks a new beginning that builds strong foundation towards our Group strategy of "Mobility for Tomorrow".

Another historic step was the announcement of the merger of the two unlisted entities 'INA Bearings India Pvt Limited' and 'LuK India Pvt Limited' with Schaeffler India Limited (formerly FAG Bearings India Limited), creating one strong organisation and leveraging our collective strength for faster growth. We are at the advanced stage of obtaining all the requisite regulatory approvals to complete the merger. We look forward to successfully completing the merger process by Q3 of 2018.

From a business strategy perspective, this consolidation will accrue significant long-term benefits to your Company. The merger will strengthen the position of the unified Schaeffler brand, helping to consistently improve its market positioning in India. It will allow us to leverage our superior technologies to deliver quality innovative solutions to our customers. The union will also help us to extend our reach and benefit from an optimised and effective distribution channel network.

Macro-Economic Overview

The environment in which we operate has become increasingly dynamic, volatile and less predictable. This holds true for the macro-economic uncertainties to which we are exposed, as well as for the overall operating conditions and technological changes that affect our business worldwide. The financial year 2017, in particular, was a challenging year. A difficult economic environment, short term policy impacts, specifically demonetisation, drove us to work even harder to sustain our performance. The implementation of the Goods & Services Tax (GST) from July 1st, 2017, also impacted various businesses, including our customers. For many, the transition of complying with this new change and policy, presented initial adoption challenges in terms of regulation and systems. While this created a temporary disruption in value chain, we consider this to be a game changer for the industry and economic scenario of India in the long run.

We believe that the host of reforms and initiatives adopted by the Government over the last three years have been driving India towards becoming an attractive destination to do business and establish manufacturing activities. Not surprisingly, India has jumped 30 spots on the World Bank's "Ease of Doing Business Rankings" published during the year. As a participant in the Indian market for more than 50 years, we are very excited of the opportunities ahead of us.

Our Performance

For 2017, Schaeffler India delivered sustained performance in a challenging business environment. The sluggishness in the overall economy was aggravated by muted consumption and investment demand, including growth deceleration in some industry segments, notably the wind energy sector, where we operate in.

However, the overall economic climate failed to deter Schaeffler India's determination. Instead, we made creditable progress towards achieving our goal of leadership and superior performance. We reported a net total income of ₹ 19,867 mn in 2017, registering a 6.5% growth over the previous financial year. Our EBITDA grew by a significant 19.5% to ₹ 3,739 mn, while our net profit grew by a solid 22% to ₹ 2,380 mn. The EBITDA and PAT margins improved by 200 bps and 150 bps respectively, in contrast to the previous year.

A key driving force behind our top and bottom line growth has been the superior performance of our plants. Both our units in Maneja and Savli contributed attractively through improved production volumes and cost management. During the year, we concentrated on enhancing our manufacturing proficiencies and delivery performance. At the same time, we took a hard look at minimising our overall operating expenses, which enabled us to protect and improve our margins. Furthermore, with the launch of new production lines, the Savli plant continued to ramp up its operational capacity, helping us to meet the demand with local production, with less dependency on imports. This allowed us to address our home market requirements with swiftness and precision, while creating flexibility to even address exports markets.

The profitable growth has also been a result of our concerted intent to widen our attention beyond top-line revenue, and to focus acutely on profitability. We were successful in this, in large part, due to our emphasis on localisation and greater cost efficiencies. Consequently, our profit-oriented approach resulted in free cash flows of ₹ 4,334.3 mn, which further strengthened our accruals and our ability to invest into future capabilities.

Our superior bottom line numbers stands testimony to the relevance of our business, which is closely aligned to external opportunities and new technological trends. Our performance also showcases the effort of the entire team in raising the productivity bar. We are confident that we will sustain this cost-control momentum over the coming years.

Recognition

We believe in enduring customer relationships. We constantly strive to improve customer satisfaction and deepen our engagement with them. This appreciation is reflected through multiple awards bestowed on us. During the year, Schaeffler India was accredited with awards from leading corporates including RIETER India, Radicon Powerbuild, Maruti Suzuki and John Deere, among others. These awards recognise the quality, service and technology leadership of the Company. I am also pleased to inform you that the order execution of significant wins from Alstom and GE on new locomotives for Indian Railways, and from Maruti Suzuki for the new DZire are progressing well.

Outlook

India's industrial production displayed a welcomed growth revival during the last quarter of the year. This trend was an indicator that, on a macro level, factory output was gradually reviving from the temporary slowdown triggered by GST and demonetisation. Going forward, we expect India's industrial performance to sustain the momentum and positively influence our business.

Furthermore, we expect a steady growth in the domestic automotive industry, as a result of the Central Government's multiple initiatives. The Union Budget for FY2018-19 clearly outlined the Government's continued thrust on stimulating rural incomes and building infrastructure by increasing the allocation for roads and railways.

India's strong economic reforms; rising infrastructure spend; and generally robust consumption demand, all augur well for our business. They certainly brighten the prospects for a comprehensive automotive and industrial component supplier, like us.

Our presence in key business segments, that overlap with the high priority initiatives of the Government, positions us well to advance in our journey of growth. We are confident that a healthy momentum in demand and improved cost management at our end, will lead to a sustained improvement in both our revenues and returns. The aftermarket segment too is showing signs of stability and revival in addition to our services business.

Going forward, your Company hopes to continuously enhance its strength and capabilities; widen its network; enhance its product portfolio; and reinforce operational excellence. These enterprising measures will take us closer to our vision, and enrich our stakeholders.