

Notes to the Financial Statements

for the year ended December 31, 2021

1. Corporate information

Schaeffler India Limited ('the Company') is a public limited company domiciled and incorporated in India and having its registered office at 15th Floor, ASTP (Amar Sadanand Tech Park), Baner, Pune - 411045. Maharashtra. The Company's shares are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India.

The Company is engaged in the development, manufacturing and distribution of high-precision roller and ball bearings, engine systems and transmission components, chassis applications, clutch systems and related machine building manufacturing activities. The Company's manufacturing units are located in the State of Gujarat at Vadodara and Savli, in the State of Maharashtra at Talegoan (Pune) and in the State of Tamilnadu at Hosur.

2. Significant accounting policies

2.1 Basis of preparation

- (i) These financial statements of Schaeffler India Limited ('the Company') have been prepared in accordance with Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

The accounting policies adopted in the preparation of these financial statements are consistent for all the periods presented.

The financial statements are presented in Indian Rupees, which is the Company's functional currency and all values are rounded off to the nearest million with one decimal place, except when otherwise indicated.

- (ii) The financial statements have been prepared on a historical cost convention basis, except for the following:
- certain financial assets and liabilities (including derivatives) that are measured at fair value;
 - defined benefit plans - net defined benefit (asset) / liabilities – Fair value of plan assets less present value of defined benefit obligation.

2.2 Current and non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule III of the Act. Based on the nature of the products and time taken between acquisition of assets for processing

and their realisation in cash and cash equivalents, the Company has ascertained its normal operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

Deferred tax assets and deferred tax liabilities are classified as non-current assets and non-current liabilities.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires the Company's management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. Actual results could differ from those estimates.

Estimates and judgments are reviewed on an ongoing basis. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstance. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

- a) **Impairment of Property, Plant and Equipment (PPE)**
The evaluation of applicability of indicators of impairment of assets requires assessment of external factors (significant decline in asset's value, significant changes in the technological, market, economic or legal environment, market interest rates etc.) and internal factors (obsolescence or physical damage of an asset, poor economic performance of the asset etc.) which could result in significant change in recoverable amount of the PPE.

- b) **Determination of the estimated useful lives**
The Company uses its technical expertise along with historical and industry trends for determining the economic life of an asset/component of an asset. The useful lives are reviewed by management periodically and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the remaining useful life of the assets.



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c) Current and deferred taxes

Significant management judgment is required to determine the amount of current and deferred taxes that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

d) Employee benefits

Management's estimate of the Company's obligation is determined based on actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate for plans operated in India, the Company's management considers the interest rates of Government bonds. Future salary increases and gratuity increases are based on expected future inflation rates for India.

Refer Note 41 for details of the key assumptions used in determining the accounting of these plans.

e) Provision for inventory obsolescence

The inventories are valued at lower of cost and net realisable value after providing for cost of obsolescence wherever considered necessary. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

2.4 Property, Plant and Equipment and intangible

Property, Plant and Equipment (PPE) are stated at cost of acquisition or construction (including directly attributable expenses thereto), net of impairment loss if any, less depreciation / amortisation. Cost includes financing costs of borrowed funds attributable to acquisition or construction of qualifying fixed assets, up to the date the assets are put to use.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Capital work in progress is carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are substantially ready for their intended use. Advances given towards acquisition or construction of PPE outstanding at each reporting date are disclosed as Capital Advances under "Other non-current Assets"

An item of PPE is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PPE is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

Cost of assets not ready for intended use, as on the reporting date, is shown under capital work-in-progress. Advances given towards acquisition of property, plant and equipment outstanding as at reporting date are disclosed as "other non-current assets".

Intangible assets are initially recognised at cost. Intangible assets with definite useful lives are amortised on a straight line basis so as to reflect the pattern in which the asset's economic benefits are consumed.

Expenditure pertaining to research is expensed out as and when incurred. Expenditure incurred on development is capitalized if such expenditure leads to creation of an asset, otherwise such expenditure is charged to the statement of profit and loss.

At the time of first-time adoption of Ind AS the company has opted to continue with the carrying value for all of its property, plant and equipment and intangible assets as recognized in financial statement prepared under previous GAAP and use the same as deemed cost in the financial statement as at the transition date i.e. January 01, 2017.

Depreciation / amortization

(i) Leasehold land is amortised over the period of lease using straight-line method (SLM) and included in depreciation and amortization in statement of profit and loss statement.

Useful lives are reviewed by the Company's management at each reporting date and revised, if appropriate.

(ii) The useful lives have been assessed based on technical advice, taking into account the nature of the PPE and the estimated usage of the asset on the basis of management's best estimation of obtaining economic benefits from those classes of assets.

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The estimated useful life is reviewed periodically, with the effect of any changes in estimate being accounted for on a prospective basis.

Such classes of assets and their estimated useful lives are as under:

No	Nature	Estimated Useful Life
1	Buildings	25-30 Years
2	Plant and equipments	3-8 Years
3	Furniture & fixtures	5-10 Years
4	Office equipments	5 Years
5	Vehicles	5 Years
6	Software	3 Years

- (iii) Depreciation on additions / deletions to PPE during the year is provided on pro-rata basis with reference to the date of additions/deletions except low value of items costing ₹ 5,000 or less which are fully depreciated in the year when the assets are put to use.
- (iv) Depreciation on subsequent expenditure on PPE arising on account of capital improvement or other factors is provided for prospectively over the remaining useful life.
- (v) Intangible assets (software) are recorded at its acquisition price and amortized on the straight-line method over a period of three years.

2.5 Leases

Effective 1 January 2020, the Company has adopted Ind AS 116 Leases which introduces single accounting model and requires a lessee to recognize assets and liabilities for all leases subject to recognition exemptions. The Company adopted Ind AS 116 Leases using modified retrospective approach.

At inception of the Contract, the Company assess whether a contract contains a lease, at the inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether (i) the contract involves the use of identified asset; (ii) the Company has substantially all of the economic benefits from the use of the asset through the period of lease and (iii) the Company has right to direct the use of the asset.

At the inception date, right-of-use asset is recognised at cost which includes present value of lease payments adjusted for any payments made on or before the commencement of lease and initial direct cost, if any.

It is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any and adjusted for any remeasurement of the lease liability. Right-of-use asset is depreciated using the straight-line method from the commencement date over the earlier of useful life of the asset or the lease term. When the Company has purchase option available under lease and cost of right-of-use assets reflects that purchase option will be exercised, right-of-use asset is depreciated over the useful life of underlying asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

At the inception date, lease liability is recognised at present value of lease payments that are not made at the commencement of lease. Lease liability is subsequently measured by adjusting carrying amount to reflect interest, lease payments and remeasurement, if any.

Lease payments are discounted using the incremental borrowing rate or interest rate implicit in the lease, if the rate can be determined.

The Company has elected not to apply requirements of Ind AS 116 to leases that has a term of 12 months or less and leases for which the underlying asset is of low value. Lease payments of such lease are recognised as an expense on straight line basis over the lease term.

Lease term is a non-cancellable period together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

Operating leases

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets during the lease term, are classified as operating leases. Operating lease payments are recognized as expense in the Statement of Profit and Loss on a straight-line basis over the lease term, unless such payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

2.6 Impairment

The carrying amounts of PPE are reviewed at each reporting date to determine if there is any indication of impairment based on internal/external factors. Assessment of indication of impairment of an asset is made at the year end. An impairment loss is recognized wherever the carrying amount of an asset exceeds its



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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 estimated discounted cash flows of projections based on current prices. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset earlier.

2.7 Inventories

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

Raw materials are valued at the lower of cost and net realisable value. Cost is ascertained on a moving weighted average basis, except for goods in transit which is ascertained on a specific identification basis.

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

Net realisable value of work-in-progress and finished goods is determined with reference to the estimated selling price less estimated cost of completion and estimated costs necessary to make the sale of related finished goods as applicable.

Stores, spares and tools other than obsolete and slow-moving items are carried at cost.

2.8 Foreign currency transactions

Initial recognition

Foreign currency transactions are translated in the functional currency, by applying to the foreign currency amount, the exchange rate between functional currency and foreign currency prevailing at the date of transaction.

Conversion

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

Exchange differences

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the Statement of Profit and Loss in the year in which they arise, except exchange differences arising from the translation of qualifying cash flow hedge to the extent that the hedges are effective, which are recognized in Other Comprehensive Income (OCI).

Derivative instruments

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to highly probable and forecast transactions. These forward contracts are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognised directly in cash flow hedge reserve under OCI, net of taxes and the ineffective portion is recognised immediately in the Statement of Profit and Loss. Amounts accumulated in cash flow hedge reserve are reclassified to Surplus (Profit and loss balance) in the same period during which the forecasted transaction occurs.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve is retained until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in cash flow hedge reserve is immediately transferred to the Statement of Profit and Loss for the period.

2.9 Revenue recognition

Revenue from sale of goods is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Company recognized revenue at a point-in-time. The point-in-time is determined when the control of the goods or services is transferred which is generally determined based on when the significant risks and rewards of ownership are transferred to the customer. Apart from this, the Company also considers its present right to payment, the legal title to the goods, the physical possession and the customer acceptance in determining the point in time where control has been transferred. The Company assesses promises in the contract that are separate performance obligations to which a portion of transaction price is allocated.

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In determining the transaction price, the Company considers below, if any:

Variable consideration

This includes discounts, incentives, volume rebates, etc. It is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. It is reassessed at end of each reporting period.

Contract balances

Trade receivables: A receivable represents the Company's right to an amount of consideration that is unconditional i.e. only the passage of time is required before payment of consideration is due.

Contract assets: Contract assets recognised in accordance with Ind AS 115, effective from 1 January 2021, shall be amortise on systematic basis that is in consistence with the transfer to customer with goods or services to which assets relates.

Contract liabilities: A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognised as revenue when the Company performs under the contract.

Significant payment terms

Generally, the Company provides credit period ranging from 60 to 75 days.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the amortised cost and at the effective interest rate applicable.

2.10 Employee benefits

a) Short term employee benefits

Employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and are recognised in the period in which the employee renders the related service.

b) Post-employment benefits

Defined benefit plans

All employees are covered under Employees' Group Gratuity Scheme, which is a defined benefit plan. The Company contributes to a fund maintained with Life Insurance Company (LIC) on the basis of the year end

liability determined based on actuarial valuation using the Projected Unit Cost Method. Remeasurements of the net defined benefit liability, which comprise actuarial gains/losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized in Other Comprehensive Income. Net interest expense and other expenses related to defined benefit plans are recognised in the Statement of Profit and Loss.

Defined contribution plans

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

Long-term employee benefits

Provision for long-term employee benefits comprise of compensated absences. These are measured on the basis of year end actuarial valuation in line with the Company's rules for compensated absences. Remeasurement gains or losses are recognized in statement of profit and loss in the period in which they arise.

2.11 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets not recorded at fair value through profit and loss) are added to the fair value of financial assets. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit and loss are recognised immediately in Statement of Profit and Loss.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into below categories:

- Financial assets at amortized cost;
- Financial assets including derivatives at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI)



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Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

(i) Financial assets at amortized cost

Financial assets are subsequently measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the financial asset is held within a business where the objective is to hold these assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss. This category generally applies to trade and other receivables, loans and other financial assets.

(ii) Financial assets including derivatives at fair value through profit or loss (FVTPL)

Financial assets are measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are immediately recognized in the Statement of Profit and Loss.

(iii) Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets are measured at fair value through Other Comprehensive Income if these financial assets are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets and contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. Derivative instruments included in FVTOCI category are measured initially as well as at each reporting date at fair value. Movement in fair value is recognized in OCI.

Derecognition

A financial asset is derecognized when the right to receive cash flows from the asset has expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and the Company has transferred substantially all risks and rewards of the asset or has transferred control of the asset to a third party. On derecognition of a financial asset in its entirety, the differences between the carrying amounts at the date of derecognition and the consideration received is recognized in the Statement of Profit and Loss.

Impairment of financial assets

The Company applies the expected credit loss (ECL) model for measurement and recognition of impairment losses on trade receivables or any other financial assets that result from transactions that are within the scope of "Ind AS 115 – Revenue from Contracts with Customers". The Company follows the simplified approach for recognition of impairment loss allowance on receivables (net of advances). The application of the simplified approach does not require the Company to track changes in credit risk. As a practical expedient, the Company uses a provision matrix to determine impairment loss allowance on trade receivables. Impairment loss allowance (or reversal) during the period is recognized in the Statement of Profit and Loss. This amount is reflected under the head 'Other expenses (or other income)' in the Statement of Profit and Loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as measured at amortised cost or financial liabilities at fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held for trading or is a derivative or it is designated as such on initial recognition. The Company's financial liabilities include trade payables and other payables.

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Subsequent measurement

Financial liabilities, including derivatives, which are designated for measurement at FVTPL are subsequently measured at fair value. Other financial liabilities such as deposits are measured at amortised cost using Effective Interest Rate (EIR) method.

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Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.12 Income and deferred taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of the Indian Income Tax Act, 1961. Deferred tax is provided using the liability method on temporary differences between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax is measured based on the tax rates and tax laws enacted or substantively enacted at the balance sheet date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred tax relating to items recognized outside Statement of Profit and Loss is recognized outside Statement of Profit and Loss. Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in Equity.

At each reporting date, the Company reassesses unrecognized deferred tax assets. It recognises unrecognized deferred tax assets to the extent that it has become probable that sufficient future taxable income will be available against which such deferred tax assets can be realised.

2.13 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made of the amount of obligation. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

A disclosure by way of a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are not recognised or disclosed in the financial statements.

2.14 Warranties

Provisions for the expected cost of warranty obligations are recognised at the time of sale of the relevant products, at the best estimate of the expenditure required to settle the Company's obligation.

2.15 Earnings per share

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

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

2.16 Cash and cash equivalents

Cash and cash equivalents include cheques in hand, cash at bank and deposits with banks having original maturity of not more than three months.

2.17 Fair value measurement

The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has an established control framework with respect to the measurement of fair values. The Company's management regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the Company's management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of Ind AS,



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including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of a financial asset or a financial liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value includes discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result from general approximation of value and the same may differ from the actual realised value. Further information about the assumptions made in measuring fair value is included in the Note 2.11 on financial instruments

2.18 Segment Reporting - Identification of Segments:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the company's Chief Operating Decision Maker ("CODM") to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

2.19 Business combinations

As part of its transition to Ind AS, the Company elected to apply "Ind AS 103 - Business Combinations", to only those business combinations that occurred on or after the date of transition to Ind AS i.e. January 1, 2016. Business combinations arising from transfers of interests in entities that are under the common control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at their carrying amounts. The identity of the reserves is preserved as they appear in the financial statements of the Company in the same form in which they appeared in the financial statements of the acquired entities. The difference, if any, between the consideration and the amount of share capital of the acquired entities is treated as capital reserve. Transaction costs are expensed as they are incurred in respective periods.

2.20 Recent accounting pronouncements

Standards issued but not yet effective

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from January 1, 2022.

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(₹ in million)

3.1 Property plant and equipment

	Freehold land*	Leasehold land	Buildings	Plant and equipments	Furniture & fixtures	Office equipments	Vehicles	Total
Gross carrying amount								
As at January 1, 2020	40.7	187.7	1,857.3	11,394.5	300.3	193.8	13.0	13,987.3
Additions	-	-	737.9	1,565.2	28.2	21.5	-	2,352.8
Disposals	-	-	-	-	-	8.1	-	8.1
Transition impact on adoption of Ind As 116 (refer Note 48)	-	187.7	-	-	-	-	-	187.7
As at December 31, 2020	40.7	-	2,595.2	12,959.7	328.5	207.2	13.0	16,144.3
Additions	-	-	329.6	2,061.6	153.6	54.0	1.2	2,600.0
Disposals	-	-	2.1	110.8	0.8	10.0	5.3	129.0
As at December 31, 2021	40.7	-	2,922.7	14,910.5	481.3	251.2	8.9	18,615.3
Accumulated depreciation								
As at January 1, 2020	-	-	174.1	4,652.0	125.1	85.9	6.8	5,043.9
Depreciation for the year	-	-	91.3	1,667.7	43.2	44.4	3.2	1,849.8
Deletions	-	-	-	-	-	8.0	-	8.0
As at December 31, 2020	-	-	265.4	6,319.7	168.3	122.3	10.0	6,885.7
Depreciation for the year	-	-	109.3	1,663.4	57.9	50.4	1.7	1,882.7
Deletions	-	-	0.9	97.8	0.7	10.0	3.7	113.1
As at December 31, 2021	-	-	373.8	7,885.3	225.5	162.7	8.0	8,655.3
Net Block								
As at December 31, 2020	40.7	-	2,329.8	6,640.0	160.2	84.9	3.0	9,258.6
As at December 31, 2021	40.7	-	2,548.9	7,025.2	255.8	88.5	0.9	9,960.0

Note:

Buildings include ₹ 250, being cost of five ordinary shares of ₹ 50 each of Nariman Bhavan Premises Co-operative Society Limited and ₹ 500 being cost of ten ordinary shares of ₹ 50 each of Parekh Market Premises Co-Operative Society Limited, which entitle the ownership.

*The title deeds of immovable properties included in property plant and equipment are held in the name of the Company, except having gross carrying amount aggregating ₹ 21.3 million (2020: ₹ 21.3 million) and net carrying amount aggregating ₹ 21.3 million (2020: ₹ 21.3 million), which have been transferred to the Company, pursuant to the Schemes of Amalgamation (refer Note 46) and their title transfer proceedings are under progress.

3.2 Right-of-use of assets

	Leasehold land*	Buildings	Vehicle	Total
Cost				
As at January 1, 2020	187.7	670.0	3.4	861.1
(Transition impact on adoption of Ind AS 116) (refer Note 48)	-	-	-	-
Additions for the year	-	26.2	-	26.2
Disposals	-	-	-	-
As at December 31, 2020	187.7	696.2	3.4	887.3
Additions for the year	-	12.7	2.1	14.8
Disposals	-	1.8	-	1.8
As at December 31, 2021	187.7	707.1	5.5	900.3
Accumulated amortisation				
Amortisation for the year	1.0	85.0	3.0	89.0
Deletions	-	-	-	-
As at December 31, 2020	1.0	85.0	3.0	89.0
Amortisation for the year	1.2	83.9	1.6	86.7
Deletions	-	0.2	-	0.2
As at December 31, 2021	2.2	168.7	4.6	175.5
Net Block				
As at December 31, 2020	186.7	611.2	0.4	798.3
As at December 31, 2021	185.5	538.4	0.9	724.8

Lease contracts entered by the Company majorly pertains to land and building taken on lease to conduct business activity in ordinary course of business

*The title deeds of immovable properties included in ROU are held in the name of the Company, except having gross carrying amount aggregating ₹ 65.9 million (2020: ₹ 65.9 million) and net carrying amount aggregating ₹ 65.1 million (2020: ₹ 65.5 million), which have been transferred to the Company, pursuant to the Schemes of Amalgamation (refer Note 46) and their title transfer proceedings are under progress.



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

3.3 Capital work-in-progress*

	Total*
As at January 1, 2020	1,662.5
Additions	2,294.5
Deductions	-
Assets capitalised during the year	2,352.9
As at December 31, 2020	1,604.1
Additions	1,900.6
Deductions	-
Assets capitalised during the year	2,612.4
As at December 31, 2021	892.3

3.4 Other intangible assets

	Software	Total
Cost		
As at January 1, 2020	12.8	12.8
Additions	0.1	0.1
Disposals	-	-
As at December 31, 2020	12.9	12.9
Additions	12.4	12.4
Disposals	-	-
As at December 31, 2021	25.3	25.3
Accumulated amortisation		
As at January 1, 2020	10.3	10.3
Amortisation for the year	1.1	1.1
Deletions	-	-
As at December 31, 2020	11.4	11.4
Amortisation for the year	1.7	1.7
Deletions	-	-
As at December 31, 2021	13.1	13.1
Net Block		
As at December 31, 2020	1.5	1.5
As at December 31, 2021	12.2	12.2

4. Non-current financial assets

	2021	2020
(i) Loans		
Security deposits	96.8	96.3
Total	96.8	96.3
Breakup of security deposit		
Loans considered goods secured	-	-
Loans considered goods unsecured	96.8	96.3
Loans which have significant increase credit risk	-	-
Loans credit impaired	-	-
(ii) Other financial assets		
Bank deposits with remaining maturity of more than 12 months*	1,155.0	763.5
Total	1,155.0	763.5

* Includes deposits of ₹ nil million (2020: ₹ 58.5 million) under lein.

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

5. Deferred tax assets (net)

	2021	2020
Deferred tax liabilities		
Amortisation of contract cost	16.3	-
(A)	16.3	-
Deferred tax assets		
Excess of depreciation / amortisation on property, plant and equipment provided in accounts over depreciation / amortisation under tax laws	184.0	116.9
Provision for employee benefits	157.7	136.5
Provision for expenses and others	47.6	59.2
Allowance for expected credit loss	11.5	42.6
Leases	15.3	8.0
(B)	416.1	363.2
Net deferred tax assets (B - A)	399.8	363.2

Movement in deferred tax assets / (liabilities) net

	Depreciation	Provision for employee benefits	Provision for expenses and others	Allowance for expected credit loss	Leases	Contract assets	Effective portion of gain / (loss) on cash flow hedges	Total
As at January 1, 2020	7.5	122.1	87.7	18.9	-	-	(1.2)	235.0
(Charged) / credited to:								
Statement of Profit and Loss	109.4	2.9	(28.5)	23.7	8.0	-	1.2	116.7
Other Comprehensive Income	-	11.5	-	-	-	-	-	11.5
As at December 31, 2020	116.9	136.5	59.2	42.6	8.0	-	-	363.2
(Charged) / credited to:								
Statement of Profit and Loss	67.1	13.2	(11.6)	(31.1)	7.3	1.9	-	46.8
Other Comprehensive Income	-	8.0	-	-	-	-	-	8.0
Initial contract assets recognition	-	-	-	-	-	(18.2)	-	(18.2)
As at December 31, 2021	184.0	157.7	47.6	11.5	15.3	(16.3)	-	399.8

6. Non-current income-tax assets (net)

	2021	2020
Advance tax recoverable (net of provisions for tax ₹ 1,533.1 million, 2020: ₹ 858.0 million)	913.2	1,002.9
Total	913.2	1,002.9

7. Other non-current assets

	2021	2020
VAT, excise and others receivable (paid under protest)	68.2	43.4
Stamp duty (paid under protest, refer note no. 35 d)	250.0	250.0
Other balance with government authorities	95.0	102.3
Capital advance, considered good	116.7	85.7
Contract assets	120.5	-
Total	650.4	481.4



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

8. Inventories

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

	2021	2020
Raw materials and components (including goods-in-transit ₹ 1,599.1 million; 2020: ₹ 594.8 million)	2,921.5	1,591.8
Work-in-progress	547.6	482.6
Finished goods	2,604.2	1,508.8
Stock-in-trade (including goods-in-transit ₹ 1,926.9 million; 2020: ₹ 1,872.6 million)	4,220.8	3,049.5
Stores and spares (including goods-in-transit ₹ 48.0 million; 2020: ₹ 10.0 million)	570.8	503.6
Total	10,864.9	7,136.3

The Company follows suitable provisioning norms for writing down the value of Inventories towards slow moving and non-moving inventory. As at December 31, 2021, provision for write-down of inventories to net realisable value is ₹ 1,216.9 million (2020: ₹ 1,171.1 million).

9. Trade receivables

	2021	2020
Other than related parties	6,775.2	5,988.4
From related parties (refer Note 37)*	1,733.2	1,098.0
Less: Allowance for expected credit loss	(45.7)	(169.2)
	8,462.7	6,917.2
Of which;		
secured, considered good	20.2	20.6
unsecured, considered good	8,485.3	7,035.5
which have significant increase in credit risk	2.9	30.3
credit impaired	-	-
	8,508.4	7,086.4
Less: Allowance for expected credit loss	(45.7)	(169.2)
Total	8,462.7	6,917.2

*Includes receivable of ₹ 16.3 million, from a private limited companies in which an Independent Director is a Director

The Company's exposure to credit risk and currency risk related to trade receivables are disclosed in Note 39 A(i) and 39 C.

10. Cash and cash equivalents

	2021	2020
Balances with banks:		
on current accounts	567.1	412.8
on deposit accounts (with original maturity of 3 months or less)*	1,502.9	1,695.2
Total	2,070.0	2,108.0

* Includes deposits of ₹ 222.5 million (2020: ₹ nil million) under lein.

11. Bank balances other than cash and cash equivalents

	2021	2020
Bank deposits with original maturity of more than 3 months and remaining maturity of less than 12 months*	12,078.7	10,343.4
Restricted deposits (unclaimed dividend)	8.0	7.6
Total	12,086.7	10,351.0

* Includes deposits of ₹ 370.2 million (2020: ₹ 563.4 million) under lein.

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

12. Loans

	2021	2020
Security deposits	36.2	49.9
Total	36.2	49.9
Breakup of security deposit		
Loans considered goods secured	-	-
Loans considered goods unsecured	36.2	49.9
Loans which have significant increase credit risk	-	-
Loans credit impaired	-	-

13. Other financial assets

	2021	2020
Interest accrued - fixed deposits	122.9	170.5
Interest accrued - others	2.8	2.7
Insurance claim receivable	-	0.7
Total	125.7	173.9

14. Other current assets

	2021	2020
Unsecured and considered good		
Other receivables - related parties (refer Note 37)	30.1	9.1
Balance with Government authorities	178.7	142.9
VAT, excise and others receivable (paid under protest)	-	1.3
Advances for supply of goods and services	196.1	245.9
Export incentives receivable	104.7	114.6
Advances to employees	1.1	5.4
Prepaid expenses	1.3	5.0
Total	512.0	524.2

15. Equity share capital

	2021	2020
Authorised capital		
125,500,000 equity shares of ₹ 10 each (2020: 125,500,000 equity shares)	1,255.0	1,255.0
Total	1,255.0	1,255.0
Issued, subscribed and paid-up		
31,260,734 fully paid-up equity shares of ₹ 10 each (2020: 31,260,734 fully paid-up equity shares)	312.6	312.6
Total	312.6	312.6

a) Reconciliation of shares outstanding at the beginning and at the end of the year:

	2021		2020	
	No. of shares	Amount	No. of shares	Amount
Equity shares				
Shares outstanding at the beginning of the year	31,260,734	312.6	31,260,734	312.6
Shares issued during the year	-	-	-	-
Shares outstanding at the end of the year	31,260,734	312.6	31,260,734	312.6



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

b) Rights, preferences and restrictions attached to equity shares:

The Company has a single class of equity shares having par value of ₹ 10 per share. Accordingly, all equity shares rank equally with regard to one vote per share held. The dividends proposed by the Board of directors is subject to the approval of shareholders at the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the equity shareholders are eligible to receive assets of the Company, after distribution of all preferential amounts, in the proportion to their shareholding.

c) Shares held by ultimate holding company and / or their subsidiaries/ associates:

Name of Shareholders	2021		2020	
	No. of Shares held	Amount	No. of Shares held	Amount
Equity shares of ₹ 10 each fully paid up held by				
Schaeffler Schweinfurt Beteiligungs GmbH	8,529,183	85.3	8,529,183	85.3
Schaeffler Bühl Verwaltungs GmbH	6,428,573	64.3	6,428,573	64.3
Schaeffler Verwaltungsholding Sechs GmbH	4,692,451	46.9	4,692,451	46.9
Industriewerk Schaeffler INA-Ingenieurdienst GmbH	3,522,440	35.2	3,522,440	35.2
Total	23,172,647	231.7	23,172,647	231.7

d) Particulars of shareholders holding more than 5% shares of a class of shares:

Name of Shareholders	2021		2020	
	No. of Shares held	% of shareholding	No. of Shares held	% of shareholding
Schaeffler Schweinfurt Beteiligungs GmbH	8,529,183	27.28%	8,529,183	27.28%
Schaeffler Bühl Verwaltungs GmbH	6,428,573	20.56%	6,428,573	20.56%
Schaeffler Verwaltungsholding Sechs GmbH	4,692,451	15.01%	4,692,451	15.01%
Industriewerk Schaeffler INA-Ingenieurdienst GmbH	3,522,440	11.27%	3,522,440	11.27%

e) Aggregate number of equity shares allotted as fully paid up pursuant to contract without consideration received in cash, Bonus Shares issued and shares bought back during the period of 5 years immediately preceding the financial year:

Particulars	2021	2020	2019	2018	2017
Equity shares of ₹ 10 each issued in financial year 2018 as fully paid up equity shares to share holders of INA Bearings India Private Limited and LuK India Private Limited pursuant to the Scheme of Amalgamation (refer Note 46)		-	-	14,643,464	-

16. Other equity

	2021	2020
Capital reserve	617.8	617.8
(A)	617.8	617.8
Securities premium	600.0	600.0
(B)	600.0	600.0
General reserve	4,218.4	4,218.4
(C)	4,218.4	4,218.4
Retained earnings		
At the commencement of the year	25,654.1	23,872.8
Add: Net profit for the year	6,291.2	2,909.7
Remeasurements of defined benefit liability / asset (net of tax) (FVTOCI)	(23.9)	(34.3)
Initial contract assets recognition (net of deferred tax liability ₹ 18.2 million)	54.4	-
Less: Appropriations		
Dividends paid	1,187.9	1,094.1
(D)	30,787.9	25,654.1
Total (A+B+C+D)	36,224.1	31,090.3

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

The following dividends were declared and paid by the Company during the year:

	2021	2020
₹ 38 per equity share (2020: ₹ 35)	1,187.9	1,094.1
Total	1,187.9	1,094.1

After the reporting dates, the following dividends were proposed by the Board of Directors subject to the approval at the ensuing annual general meeting and hence, dividends have not been disclosed as liabilities.

	2021	2020
Dividend of ₹ 16 per equity share of face value of ₹ 2/- each (2020: ₹ 38 per equity share of face value ₹ 10/- each)	2,500.8	1,187.9

17 a) Lease liabilities (non current)

	2021	2020
Lease liabilities	519.0	566.2
Total	519.0	566.2

17 b) Lease liabilities (current)

	2021	2020
Lease liabilities	88.0	84.7
Total	88.0	84.7

18. Other financial liabilities (non current)

	2021	2020
Security deposits from customers / suppliers	23.1	23.5
Total	23.1	23.5

19. Provisions (non current)

	2021	2020
Provision for employee benefits		
Gratuity (refer Note 41)	-	50.1
Other provisions		
Provision for other statutory matters (being litigated) *	11.7	11.2
Total	11.7	61.3

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



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

20. Current financial liability - Trade payables

	2021	2020
Total outstanding dues of micro and small enterprises	1,341.6	50.3
Total outstanding dues of creditors other than micro and small enterprises		
Other than related parties	3,464.7	3,952.6
Related parties (refer note 37)	4,522.6	3,683.7
Total	9,328.9	7,686.6

Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED) which came into force from 2 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises.

	2021	2020
a) the principal amount and the interest due thereon remaining unpaid to any supplier at the end of each accounting year, if any:		
Principal	1,341.6	50.3
Interest	0.4	-
b) the amount of interest paid by the Company in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
c) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	-	-
d) the amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-
e) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of Micro, Small and Medium Enterprises Development Act, 2006.	-	-

The above information has been compiled by the Company on the basis of information made available by vendors during the year ended December 31, 2021 and year ended December 31, 2020. This has been relied upon by auditors

The Company's exposure to currency and liquidity risks related to trade payables is disclosed in Note 39.

21. Other financial liabilities

	2021	2020
Employee liabilities	540.8	446.0
Creditors for capital goods	254.3	151.7
Accrued expense	455.5	343.5
Derivative forward exchange contracts	1.5	-
Unclaimed dividends*	8.0	7.6
Other payables	11.7	31.1
Total	1,271.8	979.9

*The amounts reflect the position as at the year end. The actual amount to be transferred to Investor Education and Protection Fund in this respect shall be determined on the due dates. No amount is due to be transferred as at balance sheet date.

22. Other current liabilities

	2021	2020
Advances from customers (refer Note 47)	173.3	75.7
TDS payable	30.9	22.7
GST Payable	101.7	116.0
Other statutory dues	7.3	0.4
Total	313.2	214.8

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

23. Provisions (Current)

	2021	2020
Provision for employee benefits		
Compensated absences	501.9	413.8
Gratuity (refer Note 41)	97.3	60.0
Other provisions		
Provision for warranties*	66.7	124.1
Total	665.9	597.9

* Warranty provision is estimated for expected warranty claims in respect of products sold during the year by the Company, which usually carry a warranty period of 12 months from the date of sale. The provision is determined based on the historical data. The timing and amount of cashflows will determined on receipt of claims.

Additional disclosures relating to certain provisions (as per Ind AS 37):

	2021	2020
Warranties		
At the commencement of the year	124.1	113.2
Provision made during the year	33.6	66.6
Provision utilised during the year	(91.0)	(55.7)
At the end of the year	66.7	124.1

24. Revenue from operations

	2021	2020
Revenue from Contract with Customer		
Sale of products		
Manufactured goods	40,338.4	28,031.0
Traded goods	14,335.4	9,048.7
	54,673.8	37,079.7
Sale of services	124.5	86.6
Other operating revenues		
Export incentives	124.6	139.1
Scrap sales	682.2	313.0
Total	55,605.1	37,618.4

The management determines that the segment information reported under Note 43 Segment reporting is sufficient to meet the disclosure objective with respect to disaggregation of revenue and geographical segment under Ind AS 115 Revenue from contract with Customers. Hence, no separate disclosures of disaggregated revenues are reported.

25. Other income

	2021	2020
Interest income		
On fixed deposits	447.0	547.0
On loan and others	42.3	15.9
Provisions no longer required written-back	123.5	-
Other income	110.6	40.0
Profit on sale / retirement of assets (net)	0.4	0.1
Total	723.8	603.0



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

26. Cost of materials consumed*

	2021	2020
Inventory of materials at the beginning of the year	1,591.8	1,069.6
Purchases	24,085.1	14,418.6
Inventory of materials at the end of the year	2,921.5	1,591.8
Total	22,755.4	13,896.4

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

27. Purchases of stock-in-trade

	2021	2020
Purchase of traded goods	14,200.2	8,912.3
Total	14,200.2	8,912.3

28. Changes in inventories of finished goods, stock in trade and work-in-progress*

	2021	2020
Decrease / (Increase) in inventory of finished goods		
Opening inventory	1,508.8	2,670.7
Less: Closing inventory	2,604.2	1,508.8
	(A) (1,095.4)	1,161.9
(Increase) in inventory of traded goods		
Opening inventory	3,049.5	2,511.2
Less: Closing inventory	4,220.8	3,049.5
	(B) (1,171.3)	(538.3)
(Increase) in inventory of work-in-progress		
Opening inventory	482.6	381.7
Less: Closing inventory	547.6	482.6
	(C) (65.0)	(100.9)
Total (A + B + C)	(2,331.7)	522.7

*Closing inventory is net off scrapped / reworked items and shortages / excesses.

29. Employee benefits expense

	2021	2020
Salaries, wages and incentives	3,259.0	3,046.0
Contributions to: (refer Note 41)		
- Provident fund	171.9	153.3
- Gratuity fund	60.9	52.9
- Superannuation fund	31.2	31.8
Compensated absences	123.9	32.8
Staff welfare expenses	305.3	218.7
Total	3,952.2	3,535.5

30 Finance costs

	2021	2020
Interest and finance charges on lease liability	33.4	49.5
Bank and other financial charges	3.3	0.9
Guarantee commission paid	-	2.0
Total	36.7	52.4

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

31. Depreciation and amortisation expense

	2021	2020
Depreciation on property, plant and equipment	1,882.7	1,849.6
Depreciation of right of use of assets (refer Note 48)	86.7	89.0
Amortisation of intangible assets	1.7	1.1
Total	1,971.1	1,939.7

32. Other expenses

	2021	2020
Consumption of stores and spare parts	2,309.8	1,537.1
Power and fuel	748.8	567.9
Freight, clearing and forwarding	668.9	497.6
Rent	20.9	12.6
Repairs and maintenance		
Building	19.3	15.4
Machinery	47.8	30.6
Others	67.9	58.9
Insurance	59.3	41.4
Rates and taxes	35.4	14.7
Travelling expenses	54.4	55.4
Legal and professional fees	53.6	56.3
Payments to auditors (refer note below)	6.9	11.9
Fees for use of technology (refer Note 37)	1,064.3	743.7
Advertising and sales promotion	60.0	64.1
Bank charges	12.3	7.0
Telephone and other communication expenses	17.2	16.4
Printing and stationery	13.8	13.3
Provision for doubtful debts	-	94.3
Bad debts written off	3.3	24.8
Loss on account of foreign exchange fluctuations (net)	62.1	94.8
Warranty costs	33.6	66.6
Outside services	1,855.6	1,317.9
Corporate Social Responsibility expenditure (refer note below)	110.5	101.6
Miscellaneous expenses	28.6	38.1
Less: Capitalised for own consumption	(40.7)	(92.1)
Total	7,313.6	5,390.3

Note: Payments to auditors

	2021	2020
As auditors		
- Statutory audit	4.1	7.0
- Limited review	2.8	2.9
- Other services	-	2.0
Total	6.9	11.9



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

Note: Corporate Social Responsibility expenditure

	2021	2020
Amount required to be spent as per Section 135 of the Act*	107.1	104.8
Amount incurred during the year on:		
(i) Construction/acquisition of assets	-	-
(ii) On purpose other than (i) above	110.5	101.6
	110.5	101.6
Amount yet to be paid on:		
(i) Construction/acquisition of assets	-	-
(ii) On purpose other than (i) above*	32.6	5.5
Total	32.6	5.5

*An amount of ₹ 13.6 million which is required to be transferred to unspent corporate social responsibility bank account was deposited on February 14, 2022.

33. Tax expense

	2021	2020
(a) Current tax		
Current tax on profit during the year	2,197.0	1,144.4
Tax in respect of prior years	(10.0)	34.7
Total current tax expense	2,187.0	1,179.1
(b) Deferred tax		
Deferred tax (credit) / expense attributable to origination and reversal of temporary differences	(46.8)	(116.7)
Total tax expense	2,140.2	1,062.4
Reconciliation of effective tax rate		
Profit before tax	8,431.4	3,972.1
Current tax at the Indian tax rate of 25.17%	2,122.2	999.8
Tax adjustments of earlier years	(10.0)	34.7
Expenses allowable when paid and other timing differences	74.8	144.6
Current tax expense (A)	2,187.0	1,179.1
Deferred tax		
On WDV of property, plant and equipment	(67.1)	(109.4)
Provision for employee benefits	(13.2)	(2.9)
Provision for expenses	11.6	28.5
Provision for doubtful trade receivables	31.1	(23.7)
Lease accounting	(7.3)	(8.0)
Effective portion of gain / (loss) on cash flow hedge	-	(1.2)
Amortisation of contract assets	(1.9)	-
Deferred tax expense (B)	(46.8)	(116.7)
Tax expense recognised in Statement of Profit and Loss (A + B)	2,140.2	1,062.4
Tax impact recognised in Other Comprehensive Income (OCI)		
Remeasurement of defined benefits obligation	8.0	11.5
Effective portion of gain / (loss) on hedging instruments in cash flow hedge	-	-
Total	8.0	11.5

34. Earnings Per Share (EPS)

	2021	2020
a) Amount used as the numerator		
Profit after tax attributable to equity shareholders (₹ in million)	6,291.2	2,909.7
b) Weighted average number of equity shares used as the denominator (Nos.)	31,260,734	31,260,734
c) Nominal value of share (in ₹)	10.0	10.0
d) Earnings per share (Basic and Diluted) (in ₹)	201.3	93.1

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

35. Contingent liabilities not provided for in respect of:

Claims against the company not acknowledged as debts:

	2021	2020
a) Employees and ex-employees related matters:		
(i) Matters pending in labour court / civil court / High Court for reinstatement of service / recovery of salary, PF & ESIC matters.	157.8	105.0
(ii) Demand for discontinuing of contract system and for differential wages	12.7	12.7
	170.5	117.7
b) (i) Sales-tax:		
For non receipt of C Forms and non acceptance of Company's claim of certain sales as exempt sales in respect of various assessment years.	70.9	24.3
(ii) Excise duty and Service tax:		
In respect of matters decided against the Company, for which the Company is in appeal with higher authorities	133.4	133.4
	204.3	157.7
c) Income tax:		
(i) In respect of matters decided against the Company, for which the Company is in appeal with higher authorities.	160.3	97.9
	160.3	97.9
In respect of above matters, it is not practicable for the Company to estimate the closure of these issues and consequential timing of cash flows, if any.		
d) Others:		
Demand notice for stamp duty on Order of Hon'ble National Company Law Tribunal, Mumbai Bench, approving the Scheme of Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the Company, for which the Company is in appeal with higher authorities.	250.0	250.0
	250.0	250.0

36. Commitments

	2021	2020
Contracts on capital account:		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advance ₹ 116.7 million; 2020: ₹ 85.7 million).	893.8	521.9

37. Related Party disclosures as required under Ind AS-24 are given below:

1) Name and nature of relationship of the related party where control exists:

The ultimate control lies with INA Holding Schaeffler GmbH & Co. KG, Germany.

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

2021	2020
Ultimate holding Company	Ultimate holding Company
INA Holding Schaeffler GmbH & Co. KG, Germany	INA Holding Schaeffler GmbH & Co. KG, Germany
Fellow subsidiaries / Affiliates	Fellow subsidiaries / Affiliates
Schaeffler Australia Pty Ltd., Australia	Schaeffler Australia Pty Ltd., Australia
Schaeffler Austria GmbH, Austria	Schaeffler Austria GmbH, Austria
Schaeffler Brasil Ltda., Brazil	Schaeffler Brasil Ltda., Brazil
Schaeffler Canada Inc., Canada	Schaeffler Canada Inc., Canada
Schaeffler (China) Co. Ltd., China	Schaeffler (China) Co. Ltd., China
Schaeffler Trading (Shanghai) Co. Ltd., China	Schaeffler (Nanjing) Co. Ltd., China
Schaeffler (Ningxia) Co. Ltd., China	Schaeffler (Ningxia) Co. Ltd., China
Schaeffler (Nanjing) Co. Ltd., China	Schaeffler (Xiangtan) Co. Ltd., China
Schaeffler (Xiangtan) Co. Ltd., China	Schaeffler Friction Products (Suzhou) Co. Ltd., China
Schaeffler Friction Products (Suzhou) Co. Ltd., China	Schaeffler Trading (Shanghai) Co. Ltd., China



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(₹ in million)

2021	2020
Schaeffler Middle East FZE., Dubai	Schaeffler Chain Drive Systems SAS, France
Schaeffler France SAS, France	Schaeffler France SAS, France
Schaeffler Chain Drive Systems SAS, France	LuK Truckparts GmbH & Co. KG, Germany
Schaeffler Technologies AG & Co. KG, Germany	LuK Unna GmbH & Co. KG, Germany
Schaeffler Automotive Buehl GmbH & Co. KG, Germany	Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany
Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany	Schaeffler AG, Germany
LuK Unna GmbH & Co. KG, Germany	Schaeffler Automotive Buehl GmbH & Co. KG, Germany
Schaeffler Industrial Remanufacturing Services AG & Co. KG, Germany (Formerly LuK Truckparts GmbH & Co. KG, Germany)	Schaeffler Engineering GmbH, Germany
WPB Water Pump Bearing GmbH & Co. KG, Germany	Schaeffler Friction Products GmbH, Germany
Schaeffler AG, Germany	Schaeffler Monitoring Services GmbH, Germany
Schaeffler Monitoring Services GmbH, Germany	Schaeffler Technologies AG & Co. KG, Germany
Schaeffler Automotive Aftermarket GmbH & Co. KG, Germany	WPB Water Pump Bearing GmbH & Co. KG, Germany
Schaeffler Friction Products GmbH, Germany	Schaeffler Schweinfurt Beteiligungs GmbH, Germany
Schaeffler Digital Solutions GmbH, Germany	Schaeffler Bühl Verwaltungs GmbH, Germany
Schaeffler Schweinfurt Beteiligungs GmbH, Germany	Schaeffler Verwaltungsholding Sechs GmbH, Germany
Schaeffler Bühl Verwaltungs GmbH, Germany	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany
Schaeffler Verwaltungsholding Sechs GmbH, Germany	Schaeffler Hong Kong Company Ltd., Hong Kong
Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	Schaeffler Savaria Kft., Hungary
Schaeffler Hong Kong Company Ltd., Hong Kong	Schaeffler Bearings Indonesia, PT, Indonesia
Schaeffler Savaria Kft., Hungary	Schaeffler Water Pump Bearing Italia S.r.l. Momo Italy
FAG Magyarorszag Ipari Kft., Hungary	Schaeffler Japan Co., Ltd., Japan
Schaeffler Iberia, S.L.U., Iberia	Schaeffler Ansan Corporation, Korea
Schaeffler Bearings Indonesia, PT., Indonesia	Schaeffler Korea Corporation, Korea
Schaeffler Water Pump Bearing Italia S.r.l., Italy	Schaeffler Mexico, S. de R.L. de C.V., Mexico
Schaeffler Italia S.r.l., Italy	Schaeffler Mexico Servicios, S. de R.L. de C.V., Mexico
Schaeffler Japan Co., Ltd., Japan	Schaeffler Transmisión, S. de R.L. de C.V., Mexico
Schaeffler Ansan Corporation, Korea	Schaeffler Bearings (Malaysia) Sdn. Bhd., Malaysia
Schaeffler Korea Corporation, Korea	Schaeffler Philippines Inc., Philippines
Schaeffler Bearings (Malaysia) Sdn. Bhd., Malaysia	Schaeffler Romania S.R.L., Romania
Schaeffler Mexico, S. de R.L. de C.V., Mexico	Schaeffler (Singapore) Pte. Ltd., Singapore
Schaeffler Mexico Servicios, S. de R.L. de C.V., Mexico	Schaeffler Kysuce, spol. s r.o., Slovakia
Schaeffler Transmisión, S. de R.L. de C.V., Mexico	Schaeffler Skalica, spol. s r.o., Slovakia
Schaeffler Philippines Inc., Philippines	Schaeffler South Africa (Pty.) Ltd., South Africa
Schaeffler Portugal, Unipessoal, Lda., Portugal	Schaeffler (Thailand) Co. Ltd, Thailand
Schaeffler Romania S.R.L., Romania	Schaeffler Manufacturing (Thailand) Co. Ltd., Thailand
Schaeffler (Singapore) Pte. Ltd., Singapore	Schaeffler (UK) Ltd., UK
Schaeffler Kysuce, spol. s r.o., Slovakia	Schaeffler Group USA Inc., USA
Schaeffler Skalica, spol. s r.o., Slovakia	Schaeffler Transmission Systems LLC, USA
Schaeffler South Africa (Pty.) Ltd., South Africa	Schaeffler Vietnam Co. Ltd., Vietnam
Schaeffler (Thailand) Co., Ltd., Thailand	
Schaeffler Manufacturing (Thailand) Co., Ltd., Thailand	
Schaeffler (UK) Ltd., UK	
Schaeffler Group USA, Inc., USA	
Schaeffler Transmission Systems, LLC., USA	
Schaeffler Vietnam Co., Ltd., Vietnam	

2021	2020
Key Management Personnel	Key Management Personnel
Mr. Harsha Kadam, Managing Director	Mr. Harsha Kadam, Managing Director
Mr. Satish Patel, Director Finance & CFO	Mr. Satish Patel, Director Finance & CFO

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for the year ended December 31, 2021

(₹ in million)

3) Transactions with related parties during the year:

Nature of transactions	Fellow subsidiaries/ Affiliates	Key Management Personnel	Total
Purchase of finished goods	10,600.0	-	10,600.0
	(6,356.1)	-	(6,356.1)
Purchase of raw materials and components and spares	5,907.0	-	5,907.0
	(3,772.4)	-	(3,772.4)
Purchase of tangible assets	460.9	-	460.9
	(558.0)	-	(558.0)
Fees for use of technology / trademark	1,064.3	-	1,064.3
	(743.7)	-	(743.7)
Travelling, training, testing, support fee and other cost	290.7	-	290.7
	(181.0)	-	(181.0)
Dividend for the year - 2021	880.5	-	880.5
2020	(811.0)	-	(811.0)
SAP, other IT systems and connectivity cost	422.3	-	422.3
	(334.1)	-	(334.1)
Expat cost	8.8	-	8.8
	(15.9)	-	(15.9)
Commission on guarantee - other cost	1.2	-	1.2
	(2.0)	-	(2.0)
Sale of finished goods	6,478.3	-	6,478.3
	(3,785.2)	-	(3,785.2)
Reimbursement of expenses	85.2	-	85.2
	(95.8)	-	(95.8)
Service income	23.9	-	23.9
	(1.8)	-	(1.8)
Managerial remuneration*	-	48.6	48.6
	-	(44.1)	(44.1)

* In the case of present key management personnel, remuneration does not include gratuity and leave encashment benefits which are determined for the Company as a whole.

4) Balances outstanding as at 31 December 2021:

Nature of Transaction	Fellow subsidiaries / Affiliates
Trade receivables	
Schaeffler Technologies AG & Co. KG, Germany	732.9
	(468.7)
Schaeffler Trading (Shanghai) Co. Ltd., China	356.7
	(223.5)
Others	643.6
	(405.8)
2021	1733.2
2020	(1098.0)
Trade payables	
Schaeffler Technologies AG & Co. KG, Germany	3,159.5
	(2673.3)
Schaeffler (China) Co. Ltd. China	463.8
	(385.0)
Others	899.3
	(625.4)
2021	4522.6
2020	(3683.7)



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for the year ended December 31, 2021

(₹ in million)

Nature of Transaction	Fellow subsidiaries / Affiliates
Other receivables	
Schaeffler Technologies AG & Co. KG, Germany	21.2
	(3.7)
Schaeffler Manufacturing (Thailand) Co., Ltd., Thailand	-
	(1.4)
Schaeffler (Singapore) Pte. Ltd., Singapore	-
	(1.3)
Schaeffler Automotive Buehl GmbH & Co. KG, Germany	-
	(1.0)
Others	8.9
	(1.7)
2021	30.1
2020	(9.1)

5) The significant related party transactions are as under:

Nature of Transactions	Fellow subsidiary / Affiliates	Amount
Purchase of finished goods	Schaeffler Technologies AG & Co. KG, Germany	8,384.6
		(4,957.3)
Purchase of raw material and components and spares	Schaeffler Technologies AG & Co. KG, Germany	3,218.1
	Schaeffler Friction Products (Suzhou) Co. Ltd., China	704.5
		(404.4)
	Schaeffler (China) Co. Ltd. China	639.3
	(576.7)	
Purchase of tangible assets	Schaeffler Technologies AG & Co. KG, Germany	301.0
		(202.5)
	Schaeffler (China) Co. Ltd., China	51.2
		(255.3)
	Schaeffler Manufacturing (Thailand) Co. Ltd., Thailand	-
	(58.5)	
Sale of finished goods	Schaeffler Technologies AG & Co. KG, Germany	2,277.0
		(1,138.1)
	Schaeffler Trading(Shanghai) Co. Ltd, China	1,319.9
		(996.5)
Fees for use of technology / trademark	Schaeffler Technologies AG & Co. KG, Germany	1,064.1
		(743.7)
SAP, other IT systems and connectivity cost	Schaeffler Technologies AG & Co. KG, Germany	422.2
		(334.1)
Travelling, training, testing, support fee and other cost	Schaeffler Technologies AG & Co. KG, Germany	72.0
		(43.2)
	Schaeffler Japan Co. Ltd., Japan	69.4
		(70.1)
	Schaeffler Vietnam Co. Ltd., Vietnam	30.8
	(6.1)	
	Schaeffler Brasil Ltda., Brazil	-
	(18.2)	
Expat cost	Schaeffler Automotive Buehl GmbH & Co. KG, Germany	8.0
		(7.1)
	Schaeffler Technologies AG & Co. KG, Germany	-
	(8.8)	
Commission on guarantee - other cost	Schaeffler AG, Germany	1.2
		(2.0)

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		(₹ in million)
Nature of Transactions	Fellow subsidiary / Affiliates	Amount
Reimbursement of expenses	Schaeffler Group USA Inc., USA	15.3
		-
	Schaeffler (Singapore) Pte. Ltd., Singapore	15.1
		-
	Schaeffler Manufacturing (Thailand) Co. Ltd., Thailand	13.9
		-
	Schaeffler Technologies AG & Co. KG, Germany	10.3
		(8.6)
Service income	Schaeffler Technologies AG & Co. KG, Germany	23.9
		-
	Schaeffler Korea Corporation, Korea	-
		(1.7)
Managerial remuneration	Mr. Harsha Kadam	33.4
		(31.1)
	Mr. Satish Patel	15.2
		(13.0)
Dividend paid	Schaeffler Schweinfurt Beteiligungs GmbH, Germany	324.1
		(298.5)
	Schaeffler Bühl Verwaltungs GmbH, Germany	244.3
		(225.0)
	Schaeffler Verwaltungsholding Sechs GmbH, Germany	178.3
		(164.2)
	Industriewerk Schaeffler INA-Ingenieurdienst GmbH, Germany	133.8
		(123.3)

Amounts in brackets represents previous year amounts.

Terms and conditions with related parties;

The sales to and purchases from related parties including fixed Assets and other expenses are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

38. Derivative instruments:

The Company's exposure to foreign currency fluctuations relates to foreign currency assets, liabilities and forecasted cash flows. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of derivatives like forward contracts. The Company has entered into foreign currency forward contracts, majority having maturity of less than one year from reporting date, to hedge its risks associated with foreign currency fluctuations relating to such highly probable transactions. The currencies in which these transactions are mainly denominated is in US Dollars.

Outstanding derivative instruments

Category	Currency hedged	2021		2020	
		Notional amount in foreign currency	Equivalent amount (₹ in million)	Notional amount in foreign currency	Equivalent amount (₹ in million)
Forward exchange contracts (to hedge highly probable import payables)	USD	9,411,000	699.2	-	-

The Company holds the following instruments to hedge exposures to changes in foreign currency:

Category	Maturity			
	2021		2020	
	1-6 months	6-12 months	1-6 months	6-12 months
Foreign currency risk				
Forward exchange contracts				
Net exposure (₹ in million)	438.8	260.4	-	-
Average ₹: USD forward contract rate	75.2	77.3	-	-



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for the year ended December 31, 2021

(₹ in million)

Foreign currency exposures as at December 31, 2021:

Particulars	Currency	Amount in foreign currency	Equivalent amount
Trade Payables	USD	19,439,384.4	1,444.4
		(16,558,795.4)	(1,210.0)
	EUR	2,410,546.4	202.9
		(2,350,838.8)	(210.7)
	CHF	11,763.0	1.0
	JPY	4,104,531.0	2.6
		(2,945,838.0)	(2.1)
Trade Receivables	USD	31,449,682.5	367.9
		(13,506,938.3)	(150.9)
	EUR	12,314,105.8	914.9
		(8,277,663.8)	(604.9)
	EUR	749,688.9	63.1
		(355,316.5)	(31.9)
Advances to Suppliers	USD	33,252.7	2.5
		(63,698.9)	(4.7)
	EUR	1,100,280.3	92.6
		(1,117,721.7)	(100.2)
	GBP	1,100.0	0.1
		(1,101.9)	(0.1)
	AUD	5,496.1	0.3
		(5,496.1)	(0.3)
	CHF	-	-
		(305.0)	-
JPY	1,740,000.0	1.1	
	(841,000.0)	(0.6)	
Bank balance in EEFC accounts	USD	4,641,562.8	344.9
		(2,177,536.3)	(159.1)
	EUR	413,279.7	34.8
		(149,618.7)	(13.4)

Amounts in brackets represents previous year numbers.

The Company's exposure to foreign currency risk at the end of reporting period are as follows:

	2021	2020
Financial assets		
Trade receivables		
USD	914.9	604.9
EUR	63.1	31.9
Bank Balances in EEFC account		
USD	344.9	159.1
EUR	34.8	13.4
Total Exposure to foreign currency assets	1,357.7	809.3
Financial liabilities		
Trade payables		
USD	1,444.4	1,210.0
EUR	202.9	210.7
CHF	1.0	-
JPY	2.6	2.1
CNY	367.9	150.9
Total Exposure to foreign currency liabilities	2,018.8	1,573.7

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

39. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- market risk [refer 39 (A) below]
- liquidity risk [refer 39 (B) below]
- credit risk [refer 39 (C) below]

In the course of its business, the Company is exposed primarily to aforesaid risks, which may impact the fair value of its financial instruments. The Company has a risk management system which not only covers the foreign exchange risks but also other risks associated with the financial assets and liabilities such as credit risks. The risk management strategy is approved by Board of Directors which is implemented by the Company's management. The risk management framework aims to create a stable business planning environment by reducing the impact of market related risks, credit risks and currency fluctuations on the Company's earnings. The risks identified through the risk management system are analysed and evaluated by the Company's management and reported to the Board of Directors periodically along with report of planned mitigation measures.

A) Market risk

Market risk is the risk of any loss in future earnings, in realizable fair values or in future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the foreign currency exchange rates, liquidity and other market changes. Future specific market movements cannot be normally predicted with reasonable accuracy.

(i) Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollars and Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (Indian Rupees).

The Company has import and export transactions in foreign currencies. Imports are higher than exports and hence the Company has foreign currency exposure to the extent of imports being higher than exports. The risk of foreign currency fluctuation is mitigated through hedging. Please refer Note 38 for details of foreign currency exposure.

The Company's exposure to foreign currency risk at the end of reporting period are as follows:

Foreign Currency Sensitivity

The following table demonstrates sensitivity to a reasonable possible change in major foreign currencies like USD and EUR with all other variables held constant:

		Effect on Profit Before Tax	
		2021	2020
USD	+ 5%	(9.2)	(22.3)
	- 5%	9.2	22.3
EUR	+ 5%	(5.3)	(8.3)
	- 5%	5.3	8.3
CHF	+ 5%	(0.1)	0.0
	- 5%	0.1	0.0
JPY	+ 5%	(0.1)	(0.1)
	- 5%	0.1	0.1
CNY	+ 5%	(18.4)	(7.5)
	- 5%	18.4	7.5

(ii) Interest rate risk

The Company recovers interest as per the terms of the agreement which approximates the prevailing market rate of interest, from time to time.

The Company's borrowings comprise of fixed rate loan from the related parties. The terms of the agreement which approximates the prevailing market rate of interest.

Surplus funds are being invested in bank deposits at fixed interest rates and the tenure is managed to match with the Company's liquidity profile.



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

B) Liquidity risk

The Company's principal sources of liquidity are cash and cash equivalents and cash flows generated from operations. The Company regularly monitors actual cash flows and forecasts to ensure that the Company maintains sufficient liquidity to meet the operation needs.

The following table shows the maturity analysis of the Company's financial liabilities based on contractually agreed undiscounted cash flows at the balance sheet date:

	Carrying amount	Less than 12 months	More than 12 months	Total
As at December 31, 2021				
Financial liabilities				
Lease liabilities	607.0	88	519.0	607.0
Trade payables	9,328.9	9,328.9	-	9,328.9
Security deposits from customers / suppliers	23.1	-	23.1	23.1
Employee liabilities	540.8	540.8	-	540.8
Creditors for capital goods	254.3	254.3	-	254.3
Accrued expense	455.5	455.5	-	455.5
Derivative forward exchange contracts	1.5	1.5	-	1.5
Unclaimed dividends	8.0	8.0	-	8.0
Other payables	11.7	11.7	-	11.7
As at December 31, 2020				
Financial liabilities				
Lease liabilities	650.9	84.7	566.2	650.9
Trade payables	7,686.6	7,686.6	-	7,686.6
Security deposits from customers / suppliers	23.5	-	23.5	23.5
Employee liabilities	446.0	446.0	-	446.0
Creditors for capital goods	151.7	151.7	-	151.7
Accrued expense	343.5	343.5	-	343.5
Unclaimed dividends	7.6	7.6	-	7.6
Other payables	31.1	31.1	-	31.1

C) Credit Risk

Credit risk is the unexpected loss in financial instruments if the counter parties fails to discharge it's contractual obligations in entirety and timely. The Company is exposed to credit risks arising from it's operating and financing activities such as trade receivables, loans and advances and other financial instruments. The carrying amounts of financial assets represent the maximum credit exposure.

Trade receivables

Credit risk on trade receivables is limited due to the Company's diversified customer base which includes public sector enterprises and reputed private corporates. For trade receivables, the Company computes expected credit loss allowance based on provision matrix which is prepared considering customer's industry segment and historically observed overdue rate over expected life of trade receivables. The expected credit loss allowance is considered as a percentage of net receivable position.

	2021		2020	
	Less than 6 months	More than 6 months	Less than 6 months	More than 6 months
Gross carrying amount	8,502.0	6.4	7,019.2	67.2
Allowance for expected credit loss	(44.1)	(1.6)	(147.1)	(22.1)
Carrying amount of trade receivables (net)	8,457.9	4.8	6,872.1	45.1

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for the year ended December 31, 2021

(₹ in million)

Reconciliation of expected credit loss allowance is as follows:

	₹ in millions
As at January 1, 2021	169.2
Charge in loss allowance	(123.5)
As at December 31, 2021	45.7

Other financial assets

The Company does not have significant credit risk from loans given considering available securities against which such loans have been given.

40. Capital management

For the purpose of Company's capital management, capital includes equity share capital and all other reserves attributable to equity shareholders. The Company has a long-term strategy of pursuing profitable growth. Capital is managed proactively to secure the existence of the Company as a going concern in the long-term and create financial flexibility for profitable growth in order to add value to the Company. A further aim of the capital management is to ensure long-term availability of liquidity, maintain strong credit ratings and ensure optimal capital structure in order to support business through continuing growth and maximising shareholders value. The Company funds its operations through internal accruals and the Management along with the Board of Directors regularly monitor the returns on capital as well as dividend levels to shareholders.

41. Employee benefits: Post employment benefit plans

Defined contribution plans

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards Provident Fund and Superannuation Fund which are defined contribution plans. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as an expense towards contribution to Provident Fund for the year aggregated to ₹ 171.9 million (2020: ₹ 153.3 million) and contribution to superannuation fund for the year aggregated to ₹ 31.2 million (2020: ₹ 31.8 million).

Defined benefit plans

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

The following table summarises the position of assets and obligations

	Gratuity	
	2021	2020
Present value of funded obligations	807.2	720.6
Fair value of plan assets	709.9	610.5
Liability recognised in balance sheet	97.3	110.1

Classification into current / non-current

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

	Gratuity	
	2021	2020
Noncurrent liability	-	50.1
Current liability	97.3	60.0
Total	97.3	110.1



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

Movement in present values of defined benefit obligations:

	Gratuity	
	2021	2020
Defined benefit obligation at January 1	720.6	628.6
Service cost	56.1	49.8
Interest cost	37.2	38.5
Actuarial (gains)/ losses recognised in Other Comprehensive Income due to:		
Change in assumptions	(41.4)	39.9
Demographic assumptions		-
Experience changes	81.1	13.1
Benefits paid / Employees contribution	(46.4)	(49.3)
Defined benefit obligation at December 31	807.2	720.6

Movement in fair value of plan assets:

	Gratuity	
	2021	2020
Fair value of plan assets at January 1	610.5	557.3
Return on plan assets recognised in other comprehensive income	7.8	7.2
Interest on plan assets	32.4	35.3
Contributions by employer	105.6	60.0
Benefits paid / Employees contribution	(46.4)	(49.3)
Fair value of plan assets at December 31	709.9	610.5

Expense recognized in the Statement of Profit and Loss:

	Gratuity	
	2021	2020
Current service cost	56.1	49.8
Interest on net defined benefit liability / (asset)	4.8	3.1
Total included in Employee benefits expense	60.9	52.9

Remeasurements recognised in other comprehensive income

	Gratuity	
	2021	2020
Actuarial (gain)/ loss on defined benefit obligation	39.7	53.0
Return on plan assets excluding interest income	(7.8)	(7.2)
	31.9	45.8

Principal actuarial assumptions at the balance sheet date

	Gratuity	
	2021	2020
Discount rate per annum as at December 31	6.30%	5.60%
Expected return per annum on plan assets as at December 31	6.30%	5.60%
Future salary increment	6.50%	6.50%
Retirement age	58 Years	58 Years
Mortality	Indian Assured Lives Mortality (2012-14) Ult table	Indian Assured Lives Mortality (2012-14) Ult table
Attrition rate	6%- 13%	6%- 13%

At December 31, 2021, the weighted-average duration of the defined benefit obligation was 6.99 years (31 December 2020: 7.26 years).

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

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

Sensitivity Analysis

The following table summarizes the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 100 basis points:

	2021		2020	
	Increase	Decrease	Increase	Decrease
Discount rate (100 bps movement on DBO)	(6.55%)	7.48%	(6.79%)	7.79%
Salary escalation rate (100 bps movement on DBO)	7.48%	(6.60%)	7.65%	(6.80%)

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analyses.

The major categories of plan assets are as follows

	2021		
	Quoted	Unquoted	Total
Insurer managed funds (Life Insurance Corporation)	-	706.2	706.2
Others	-	3.7	3.7

Maturity profile of defined benefit obligations:

Year	2021	2020
Year 1	131.7	112.8
Year 2	100.9	82.9
Year 3	93.8	79.3
Year 4	101.4	73.9
Year 5	72.8	77.9
Year 6	57.2	58.4
Year 7	59.6	45.2
Year 8	48.7	48.3
Year 9	54.2	38.6
Year 10 and above	669.4	565.1

Characteristics of defined benefit plans and risks associated with them:

Valuations of defined benefit plan are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above benefit plans which are as follows:

- (i) Interest Rate risk: The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (i.e. value of defined benefit obligation).
- (ii) Salary Escalation Risk: The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.
- (iii) Demographic Risk: The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.
- (iv) Investment Risk: The Company has funded with well established Govt. of India undertaking & other IRDA approved agency and therefore, there is no material investment risk.



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

42. Financial instruments

A) Accounting classifications

The following tables shows the carrying amount / fair values of financial assets and financial liabilities:

Financial instruments category	Carrying value / Fair value	
	2021	2020
Financial Assets		
a) Measurement at amortised cost:		
Trade receivables	8,462.7	6,917.2
Cash and cash equivalents	2,070.0	2,108.0
Bank balances other than cash and cash equivalents	12,086.7	10,351.0
Loans	133.0	146.2
Other financial assets	1,280.7	937.4
Total Financial Assets	24,033.1	20,459.8
Financial Liabilities		
a) Measurement at amortised cost:		
Trade payables	9,328.9	7,686.6
Other financial liabilities	1,294.9	1,003.4
Lease liabilities	607.0	650.9
Total Financial Liabilities	11,230.8	9,340.9

The carrying amounts of all financial instruments (except derivative instruments which are measured at fair value through Other Comprehensive Income and long-term loans) are not materially different from their fair values, since these are of short term nature.

B) Fair value hierarchy

The following table provides quantitative disclosures of fair value measurement hierarchy of financial instruments as referred above:

December 31, 2021

	Level 1	Level 2	Level 3	2021
Financial Assets				
Trade receivables	-	-	8,462.7	8,462.7
Loans	-	-	133.0	133.0
Other financial assets	-	-	1,280.7	1,280.7
Total	-	-	9,876.4	9,876.4
Financial Liabilities				
Trade payables	-	-	9,328.9	9,328.9
Other financial liabilities	-	-	1,294.9	1,294.9
Lease liabilities	-	-	607.0	607.0
Total	-	-	11,230.8	11,230.8

December 31, 2020

	Level 1	Level 2	Level 3	2020
Financial Assets				
Trade receivables	-	-	6,917.2	6,917.2
Loans	-	-	146.2	146.2
Other financial assets	-	-	937.4	937.4
Total	-	-	8,000.8	8,000.8
Financial Liabilities				
Trade payables	-	-	7,686.6	7,686.6
Other financial liabilities	-	-	1,003.4	1,003.4
Lease liabilities	-	-	650.9	650.9
Total	-	-	9,340.9	9,340.9

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

Valuation techniques and significant unobservable inputs

Specific valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments include:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- All financial assets and liabilities referred in Level 3 are measured at amortised cost, their carrying amount are reasonable approximation of their fair value

43. Segment reporting

(i) Information about business segments:

As per 'Ind AS 108 - Operating Segments', the Company has reported segment information under two segments i.e 1) Mobility components and related solutions and 2) Others.

Particulars	2021	2020
(a) Segment Revenue (Net revenue / income)		
Mobility components and related solutions		
Automotive Technologies	21,860.5	14,581.2
Automotive Aftermarket	5,018.7	3,345.3
Industrial	11,324.6	8,759.1
Exports & Others#	5,646.1	3,378.2
Sub total (a)	43,849.9	30,063.8
Others		
Automotive Technologies		
Automotive Aftermarket		
Industrial	10,241.6	6,742.9
Exports & Others#	1,513.6	811.7
Sub total (a)	11,755.2	7,554.6
(c) Total Revenue		
Automotive Technologies	21,860.5	14,581.2
Automotive Aftermarket	5,018.7	3,345.3
Industrial	21,566.2	15,502.0
Exports & Others#	7,159.7	4,189.9
Revenue from operations	55,605.1	37,618.4
(b) Segment Results (Profit before finance cost, depreciation and tax)		
Mobility components and related solutions	5,837.8	2,422.4
Others	1,906.5	999.1
Total profit before finance costs and tax	7,744.3	3,421.5
Less: Finance cost	36.7	52.4
Less: Unallocable expenses	-	-
Add: Unallocable Income	723.8	603.0
Profit before tax	8,431.4	3,972.1
(c) Segment assets		
Mobility components and related solutions *	27,438.5	23,227.4
Others	4,149.4	2,896.2
Unallocated	17,374.8	15,506.7
Total assets	48,962.7	41,630.3
(d) Segment liabilities		
Mobility components and related solutions	8,803.6	7,395.1
Others	2,082.5	1,637.4
Unallocated	1,539.9	1,194.9
Total liabilities	12,426.0	10,227.4
(e) Net capital employed	36,536.7	31,402.9

Export & Others mainly includes exports to group companies, scrap sales and other operating income

* Property, plant and equipment (PPE) of the Company is predominantly used for 'Mobility solutions and related components' and hence has been disclosed as a segment asset under that reportable segment.



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

(ii) Secondary segment information

The geographical information analyses the Company's revenues and non-current assets by the Company's country of domicile (i.e. India) and outside India. In presenting the geographical information, segment revenue has been based on geographical location of customers and segment assets which have been based on the geographical location of the assets.

(a) Revenues

	2021	2020
India	48,752.3	33,659.2
Outside India	6,852.8	3,959.2
Total	55,605.1	37,618.4

(b) Non-current assets*

	2021	2020
India	13,152.9	13,146.8
Outside India	-	-
Total	13,152.9	13,146.8

*Non-current assets exclude financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contracts, if any.

(c) Customers accounted individually more than 10% of the revenue 2021 none (2020: none).

44. Research and development expenses under the respective heads aggregate to ₹ 1,015.7 million (2020: ₹ 757.7 million) including of capital nature ₹ 60.7 million (2020: ₹ 34.3 million).

	2021				2020			
	Maneja, Savli (Vadodara)	Talegoan (Pune)	Hosur	Total	Maneja, Savli (Vadodara)	Talegoan (Pune)	Hosur	Total
Revenue expenses on research and development included under various heads of expenditure	382.6	413.7	158.7	955.0	286.0	287.6	149.8	723.4
Capital expenses on research and development capitalised along with other Fixed assets	17.2	29.1	14.4	60.7	-	25.8	8.5	34.3
Total	399.8	442.8	173.1	1015.7	286.0	313.4	158.3	757.7

45. The tax year for the Company being the year ending March 31, 2022, provision for taxation for the year ended December 31, 2021 is aggregate of provision made for three months ended March 31, 2021 and provision based on amounts for remaining nine months ended December 31, 2021, the ultimate tax liability of which will be determined on the basis of figures for the fiscal year April 1, 2021 to March 31, 2022.

The Company's international transactions with associated enterprises are at arm's length, as per the independent accountant's report for the year ended March 31, 2021. The Management believes that the Company's international transactions with associated enterprises post March 31, 2021 continue to be at arm's length and that transfer pricing legislations will not have any impact on the Ind AS financial statements, particularly on the amount of tax expenses for the year and the amount of provision for taxation at the year end.

In the year 2019 the Company elected to exercise the option permitted under section 115BAA of the Income-tax Act 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 with effect from April 1, 2019. Accordingly, the Company has recognised provision for Income Tax and deferred tax expenses for the twelve months ended December 31, 2019 on the basis of estimated annual effective income tax rate.

Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

46. Amalgamation of INA Bearings India Private Limited and LuK India Private Limited with the company

Scheme of Amalgamation of INA Bearings India Private Limited and LuK India Private Limited (jointly referred to as 'transferor companies') with Schaeffler India Limited, has been approved by the National Company Law Tribunal, Chennai and Mumbai Benches vide their orders dated June 13, 2018 and October 8, 2018 respectively.

47. Revenue (Ind AS 115)

The Company is manufacturing and distribution of bearings, engine systems and transmission components, chassis applications and clutch systems. All sales are made at a point in time and revenue recognised upon satisfaction of the performance obligations which is typically upon dispatch/ delivery.

A Revenue recognised from Contract liability (Advances from Customers):

Particulars	2021	2020
Closing Contract liability	173.3	75.7

The Contract liability outstanding at the beginning of the year has been recognised as revenue during the year ended December 31, 2021.

B Reconciliation of revenue as per contract price and as recognised in statement of profit and loss:

Particulars	2021	2020
Revenue as per Contract price	55,299.6	37,610.3
Less: Incentives and rebates	550.8	473.4
Less: Discounts	75.0	57.2
Revenue as per statement of profit and loss	54,673.8	37,079.7

48. Leases

1 Practical expedients applied

- Applied discount rate based Incremental borrowing rate as per portfolio of leases of similar assets in similar economic environment with a similar period
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

2 The Company's significant leasing/ licensing arrangements are mainly in respect of residential / office premises. Leases generally have a lease term ranging from 12 months to 120 months. Most of the leases are renewable by mutual consent on mutually agreeable terms.

3 Right-of-use assets by class of assets is as follows.

Particulars	Gross Block			As at Dec 31, 2021	Amortisation			As at Dec 31, 2021	Net Block As at Dec 31, 2021
	As at Jan 1, 2021	Additions	Deductions		As at Jan 1, 2021	For the Year	Deductions		
Tangible Assets									
Leasehold land	187.7	-	-	187.7	1.0	1.2	-	2.2	185.5
Buildings	696.2	12.7	1.8	707.1	85.0	83.9	0.2	168.7	538.4
Vehicle	3.4	2.1	-	5.5	3.0	1.6	-	4.6	0.9
Total (ii)	887.3	14.8	1.8	900.3	89.0	86.7	0.2	175.5	724.8

4 Finance costs includes interest expense amounting to ₹ 33.4 millions (2020: 49.5 millions) on lease liability accounted in accordance with Ind AS 116 "Leases".

5 Rent expense in Note No. 32 Represents lease charges for short term leases.



Notes to the Financial Statements

for the year ended December 31, 2021

(₹ in million)

6 Lease liabilities

Particulars	2021	2020
Lease liabilities included in financial position		
Current	88.0	84.7
Non current	519.0	566.2

- 49.** In the current year the Company operations are at normalcy and there is no impact of the pandemic on the Company's financials for the year ended December 31, 2021. The management is continuously and closely monitoring the current COVID-19 developments and possible effects that may result from the current pandemic on its financial condition, liquidity and operations and is actively working to minimize the impact of this unprecedented situation.
- 50.** Previous year figure have been regrouped/rearranged where ever necessary to correspond with current year classification / disclosure.
- 51.** Pursuant to the approval of the shareholders accorded on December 19, 2021 vide postal ballot conducted by the Company, each equity share of face value of ₹ 10/- per share was subdivided into 5 equity share of face value of ₹ 2/- per share with record date February 9, 2022.
- 52.** The financial statement are approved for issued by the Board of Directors in their meeting held on February 16, 2022.

As per our report of even date attached

For Walker Chandiok & Co LLP

Chartered Accountants

Firm's Registration No: 001076N / N-500013

Khushroo B. Panthaky

Partner

Membership No: 042423

For and on behalf of the Board of Directors

Avinash Gandhi

Chairman

DIN: 00161107

Satish Patel

Director-Finance & CFO

DIN: 00690869

Harsha Kadam

Managing Director

DIN: 07736005

Ashish Tiwari

VP - Legal & Company Secretary

Place: Mumbai

Date: February 16, 2022

Place: New Delhi

Date: February 16, 2022